ING Property Trust

ANNUAL REPORT 2004

HIGHLIGHTS

- **2004 RESULT**
  - Full-year operating surplus of $13.7 million exceeded the Trust's forecast

- **ANNUAL DISTRIBUTION**

  The Trust declared a gross dividend of 11.15 cents per unit for the 12 months to 31 March 2004 in line with forecast

- **OCCUPANCY**

  A strong focus by management on leasing saw the Trust achieve an occupancy rate of 97% across the property portfolio

- **WEIGHTED AVERAGE LEASE TERM**

  Excellent rental security provided by way of an average weighted lease term of 5 years. Over 50% of the leases run past March 2010

- **GROWTH AND ACQUISITIONS**

  Property assets increased from two properties with a value of $58 million to 48 properties with a value of $308 million

- **SCALE**

  Significant growth achieved through the acquisition programme, resulting in the Trust becoming a major participant in the New Zealand listed property sector

- **DIVERSIFICATION**

  Considerable gains made in achieving diversification of assets by geography, tenant and sector exposure

- **RATIONALISATION**

  A successful sales programme completed with 25 properties sold for $69 million. Sales added 1.37 cents per unit to net tangible assets

- **REPOSITIONING**

  Active portfolio management through acquisitions and sales saw significant progress in the repositioning of the portfolio in line with targeted strategies

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CHAIRMAN'S REPORT

It has been a very positive year for ING Property Trust (the Trust) and the property portfolio. It has also been one of considerable and positive change in pursuit of the goal of building the Trust, both in size and in profile.

The major development for the year occurred on 1 September 2003 when ING (NZ) Limited ("ING") and Symphony Investments Limited ("Symphony") formed a partnership to manage the Trust – then called the Paramount Property Trust.

ING purchased from Symphony 50% of the shares in the Trust's management company, with Symphony retaining the remaining 50% of shares. The property management contract has been fully assigned to ING.

The formation of this partnership has allowed both parties to focus on their specialist areas in the pursuit of growing the Trust and making it highly rewarding for investors. Specifically, it draws on the complementary skills of ING's property, funds management and administration experience, together with Symphony's expertise in property development.

It has been a very successful 12 months in terms of acquisitions and the subsequent rationalisation programme. The Trust grew from $58 million as at March 2003 to $308 million as at March 2004. Acquisitions include the 71 property MFL and SIL portfolio, together with the Liggins Institute building. The Trust had also entered into a conditional contract to purchase ANZ House in Newmarket at balance date. This contract became unconditional and the purchase was completed in April 2004.

Essentially, the rationalisation programme for the MFL/SIL portfolio focused on the disposal of the smaller-value properties, or properties identified by the Trust as mature assets/properties where no further value could be added.

Some 25 properties valued at $68.6 million were sold over the 12 month period. On the basis of these sales occurring into a strongly rising market with considerable buyer depth, the result was that sale prices in nearly all instances exceeded book value.

The core property portfolio also performed well over the financial year, with improved occupancy and weighted average lease term and excellent rental growth achieved.

Looking forward, the broad investment strategy for the Trust, i.e. to hold a portfolio of good-quality and well-located properties with excellent lease profiles and attractive yields, remains unchanged.

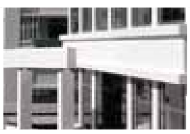
Following the formation of the partnership with ING, Andrew Evans became Managing Director of ING Property Trust Management Limited, and was appointed to the Board as at 1 September 2003. Andrew has over 20 years' experience in the property industry and brings a wealth of knowledge of the property sector and portfolio management to the business. Prior to his most recent appointment, he held the position of General Manager Property for ING, as well as being immediate past president of the Property Council of New Zealand.

Finally, thank you to all unitholders for your support in what has been a very active and rewarding year.

Dr Robin Congreve
Chairman
ING Property Trust Management Limited

Financial Performance	Actual	Explanatory Memorandum
	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)
Net Property Income	14,123	14,935
Operating Surplus Before Taxation	13,757	10,618
Taxation	2,808	1,704
Operating Surplus After Taxation	10,949	8,914
Unrealised Net Change in Value of Investment Properties	2,787	1,517
Net Surplus for the Period	13,736	10,431
Units on Issue	237,743	217,743
Earnings per Unit (cents) - Before Revaluations and Taxation	11.15	11.15
Distributions either made or declared for the period:		
Cash Distribution (cents per Unit)	10.00	10.20
Imputation Credits (cents per Unit)	1.15	0.95
Gross Distribution (cents per Unit)	11.15	11.15
% Imputed	20.9%	17.3%

Financial Position		
Current Assets	87,802	197
Investment Properties	221,783	337,171
Total Assets	**309,585**	**337,368**
Total Liabilities	**62,850**	**113,146**
Equity	**246,735**	**224,222**
Net Tangible Assets per Unit (cents)	103.78	102.98
Debt to Total Assets	19.7%	32.8%



MANAGER'S REPORT TO UNITHOLDERS

The past 12 months have seen considerable activity for the ING Property Trust. The Trust began the financial year as Paramount Property Trust, with a small portfolio comprising two assets (the GE Capital Building and Ericsson House), but with the stated intention of growing this asset base. Considerable progress was made over the year to meet this growth objective. In June 2003, the Trust purchased the Liggins Institute Building, followed by the significant acquisition of the $283 million MFL/SIL portfolio comprising 71 buildings located in Auckland, Wellington and Christchurch. This acquisition greatly improved the diversification, risk profile and scale of the Trust, while maintaining an attractive gross yield for unitholders. The ANZ Building in Carlton Gore Road was also contracted for acquisition during the financial year and was settled in April 2004. A further significant change for the Trust was the name change to ING Property Trust on 1 September 2003. On completion of the MFL/SIL acquisition in December 2003, the Manager undertook an active sales programme to reconfigure the portfolio. The aim of this rationalisation was to improve and reshape the Trust's portfolio for optimum performance. Further details on all of the above events are contained in the sections ahead.

Achieving size and scale

The period under review was a particularly busy and exciting period for the Trust, with a number of significant acquisitions completed.

The spectacular growth of the Trust can be seen by comparing the gross asset value of the Trust in March 2003 ($58 million) and March 2004 ($308 million).

The most significant acquisition was the purchase of 71 buildings from MFL Mutual Fund Limited and Superannuation Investments Limited in early December 2003. The acquisition price was $282,745,885, with the Trust issuing 182 million new units to the vendors at $1 per unit. The balance of $100,745,885 was paid in cash through the use of bank debt.

Earlier in the financial year, the Trust announced the acquisition of the Liggins Institute building for $7,900,000. This is a specialised 4-level office building in the Auckland Hospital precinct. The building provides a strong cashflow from a high-quality tenant. In addition, there is the opportunity to add value by the future development of the site, as the current building coverage is very low at around 30%.

While not a settled acquisition at balance date, the Trust also entered into an agreement to purchase a new high-quality office building under construction in Carlton Gore Road, Auckland. This is a long-term strategic investment for the Trust, providing a strong and stable cashflow from the new nine-year lease to ANZ Bank over the entire building.

Other potential acquisitions were reviewed and the Manager continues to progress a number of opportunities.

Sales

At the time of acquiring the MFL/SIL property portfolio, the Manager stated its intention to undertake an orderly rationalisation process, with the aim of optimising the ultimate mix of properties owned by the Trust.

Forty-six properties were identified in the Explanatory Memorandum (issued to unitholders in November 2003) as forming part of the rationalisation programme. These were essentially the smaller and lower-value properties, representing approximately $116 million of the entire MFL/SIL portfolio. By value, this equated to around 40% of the properties acquired.

Since acquisition of the portfolio, 19 properties with a value of $50.5 million have been sold and settled. A further five properties, with a value of $15.6 million, are subject to unconditional sale and purchase contracts with settlement to occur post 31 March 2004. One property, with a value of $2.5 million, was subject to a conditional sale and purchase contract at 31 March 2004. This contract became unconditional in April 2004.

Of the 25 properties sold, 16 are situated in Auckland, 2 in Wellington and 7 in Christchurch. Eighteen industrial buildings, 6 commercial and 1 retail property have been sold.

The book value of the property portfolio as at 31 March 2004 (after revaluation) is $308 million.

New leasings

Thirteen leases (new leases and rights of renewal) were completed over the 12 months to 31 March 2004, representing 6.3% of the total property portfolio by floor area and $1.85 million of annual rental income.

Vacancy

The vacancy rate in the portfolio as at 31 March 2004 is 3.0% as measured by net lettable area.

Portfolio weighted average lease term (WALT)

The weighted average lease term in the portfolio is 5.0 years. This is a good result and reflects the success of the leasing programme.

Those properties on the disposal list have been grouped together irrespective of their sector category. Clearly, the weighted average lease term is pulled down by the disposal properties, which are typically smaller assets by value, have more localised tenants with generally weaker covenants, and tenants that have a preference for shorter lease terms.

The ongoing sale of the disposal properties will improve the overall weighted average lease term of the total portfolio.

Rental reviews and rental levels

It has been a successful 12 months in terms of rental reviews. During the year the Manager completed a total of 18 rental reviews, achieving an impressive average rental increase of 7.07% on the leases reviewed. This equates to $247,896 of rental income for the portfolio.

Valuations

The core property portfolio comprising the long-term ‘hold’ properties is subject to independent revaluation by registered valuers as at 31 March of each year.

The year-end property revaluations for these properties showed an increase of $2.8 million (after disposal costs) on a portfolio size of $219 million. This is an average increase of 1.3% on the 22 properties subject to revaluation.

ING PROPERTY TRUST

Trust facts as at 31 March 2004

- Portfolio value of $308 million comprising 48 buildings
- Geographic diversification with a focus on Auckland
- Following a successful leasing and sales programme, vacancy rate of 3.0%
- Thirteen leasing transactions completed over the year, contributing $1.85 million of rental and accounting for 6.3% of the total space in the portfolio
- Eighteen rental reviews resolved, resulting in a 7.07% increase in rental for leases reviewed. In dollar terms, the reviews resulted in additional rental of $247,896
- Weighted average lease term (WALT) of the portfolio increased to 5.0 years
- Portfolio revalued upwards by $2.8 million.

Interest rate management

The Trust's interest rate management strategy is to minimise interest rate costs while limiting the risk of future interest rate increases by utilising hedges and swaps. This approach is premised on a base philosophy that the Trust is not an interest rate speculator, and will seek to lock in tenancy margins and unitholder returns.

The Trust has entered into a series of laddered interest rate swaps with final maturities ranging from 2004 to 2009. The Trust has matched the interest rate swaps final maturities with future lease expiries. The target hedge level is 85% of the forecast debt level of the Trust.

At balance date the Trust had $61.1 million of drawn down debt, of which, the interest rate risk on $55 million was covered by way of swaps. The effective interest rate as at 31 March 2004 (including swaps and margins) was 6.05%.

Income distribution

The distribution policy of the Trust is to distribute all of the Trust's net profit after tax (excluding gains on revaluations and the profits of sales), so long as it is prudent to do so, having regard to the Trust's operating requirements, gearing level, planned acquisitions and other relevant commercial considerations. It is the Trust's policy to make quarterly dividend distributions to unitholders. Each payment is based on the financial results for the quarters ended March, June, September and December. The announcement of the dividend to unitholders is made within three months of quarter end and is followed by actual payment shortly thereafter.

The Trust has declared gross dividends totalling 11.15 cents per unit for the 12-month period to 31 March 2004. This is in line with the Explanatory Memorandum forecast of 11.15 cents per unit. The dividends declared had imputation credits of 1.15 cents per unit attached.
A gross dividend for the quarter ended 31 March 2004 of 3.03 cents per unit was declared on 21 May 2004. The record date for the dividend was 11 June 2004, and it will be paid on 18 June 2004.

Market review

Lower interest rates and an expanding domestic economy supported improved property performance.
In March 2003, the Official Cash Rate (OCR) stood at 5.75%. However, three 25-basis-point cuts between April and July of 2003 saw the OCR reduced to 5.0%. As at the time of printing, the OCR was back to 5.75% amid fears of the domestic economy operating above capacity. Recent comments by the Governor of the Reserve Bank suggest further interest rate increases are possible.

The low interest rates brought many new buyers into the market, especially in the private buyer sector. As a consequence, there was significant price appreciation for smaller, passive property assets, with investors attracted to the relatively high yield offered by property assets combined with the security and stability of the income stream.

Institutional and offshore purchasers were also active, with a significant number of larger transactions occurring over the year.

The base fundamentals of supply and demand noticeably improved over the last 12 months. However, the leasing market in all sectors remained challenging. The level of tenant inducements reduced but was still a real cost to landlords and necessary in order to attract tenants.

Strong investor sentiment coupled with low interest rates and domestic economic growth continued to underpin performance in the Auckland property market.
On the occupier side, with the notable exception of secondary CBD offices in Auckland, demand was sustained in most market sectors and vacancies continued to tighten. Despite the favourable conditions, development completions were fairly subdued.

LOOKING AHEAD

Economic outlook

At a broad economic level, the strong domestic sector managed to underpin growth throughout 2003 and into 2004. However, any slowing of the domestic sector, driven by factors such as moderating immigration and housing activity combined with the difficult export sector conditions, is likely to dampen growth expectations for 2004 and 2005.

Offsetting this, the US and world economic recovery should gather strength and, as this occurs, the New Zealand dollar is likely to regain some competitiveness. Some economists suggest the Reserve Bank could raise the OCR by a further 50 basis points during the remainder of 2004. This would result in the OCR reaching 6.25% and this could well be the peak of the current interest rate cycle. This will be reinforced by other central banks lifting interest rates as their economies use up existing spare capacity.

Property outlook

In the occupier market, we expect the slowing economy to exert a moderating influence on demand over the next 18 months. However, capacity utilisation continues to run high in many industries, indicating that even with moderate output growth, companies will be under pressure to expand. This will help to at least partially offset the impact of lower economic growth rates.

New supply has been fairly low so far in this cycle, but over the next 18 months we will see escalating completions in some areas of the office market at a time of reducing overall demand. This is likely to result in some increase in localised vacancy.

However, we note the broader property market is more balanced than we have seen for many years, reducing the supply-side risk from new development. Not only are bankers and financiers more circumspect compared with past growth cycles, it also appears that developers are less willing to undertake new buildings without serious pre-commitment.

In the investment market, the depth of demand for property is forecast to remain strong over the near term. This, coupled with a general shortage of stock and the weight of capital chasing the limited investment stock available, should see yields maintained at close to their current cyclical lows, aided by the prospect of only moderate interest rate rises.

Conclusion

In conclusion, we remain confident about property investment and see little reason for property pricing and activity levels to fall away. Should interest rates remain at projected levels property will likely continue as a favoured asset class.

It is the Manager's view that given the projected rental income and the certainty created through the interest rate management policy, the Trust will achieve the financial forecast unitholder distribution as per the Explanatory Memorandum, for the year ending 31 March 2005 of 10.7 cents per unit.

STRATEGY

STRATEGIC OBJECTIVE

The Trust's strategic objective is to invest in a diversified portfolio of good-quality, well-tenanted properties and to actively seek to grow the income of the Trust through active management of the existing portfolio, and property and corporate acquisitions.

The targeted investment ranges are:

Commercial and office	50% – 70%
Industrial	30% – 40%
Retail	10% – 20%

Other strategic considerations include the desire to achieve net leases, low vacancy rates, consistent lease and tenant covenants, a WALT of 5 years or better and properties in strategic locations that provide the prospect of rental and capital growth.

INVESTMENT MANAGEMENT

The Manager has adopted the following investment strategies in order to achieve the strategic objective of providing unitholders with appropriate returns.

Active management philosophy

Actively manage the existing portfolio to ensure that the quality of the portfolio is maintained and, where possible, enhanced.

Disciplined financial criteria

At all times, the overriding imperative of the Manager is to provide a return to unitholders that adequately reflects the risks of the Trust and an appropriate return on capital.

Right of first refusal

To fully utilise benefits obtainable by accessing the potential acquisitions that arise under the Right of First Refusal. The Trust, through the Right of First Refusal with Symphony, receives part of the development margin without incurring development risk.

Focus investment on quality properties

The Manager will seek acquisition opportunities where the property is new, recently refurbished or well maintained as these properties have reduced capital expenditure requirements and attractive cash flow characteristics.

Diversification

The Manager will continue to remould the property portfolio through the acquisition and sales process to position the portfolio along targeted strategies.

Value range

The manager will target the acquisition of properties having a value of between $10 million and $100 million. The Manager will also consider larger portfolio or company acquisitions.

Added value

The active management of the assets, strong tenant relationships and superior market knowledge will enhance revenue returns from the property portfolio, when combined with realisation of 'value add' opportunities.

MANAGEMENT OBJECTIVES

In order to meet the stated strategic objective of the Trust, the Manager will:

- Continue to aggressively market vacant properties to tenants and look at new marketing initiatives to ensure the buildings are kept at the forefront of property offerings
- Aggressively target lease expiries that are occurring 12 months out in order to retain the tenant or commence early marketing
- Actively work with existing tenants to ensure opportunities for lease re-engineering and/or tenant re-locations are maximised
- Actively manage the disposal programme to ensure maximum values are obtained for the properties identified on the disposal list
- Continue to aggressively target acquisition opportunities, including books of assets and company acquisitions
- Continue to expend capital on the building assets to ensure the quality of the building portfolio is maintained
- Keenly focus on maintaining the income yield from the property assets in order to meet forecast distributions, while also seeking to capture the value added opportunities from the portfolio.

TOP SECTOR PROFILES

TOP THREE RETAIL PROFILES

39 Cavendish Drive, Manukau City, Auckland

Property description	The property comprises a modern purpose built bulk retail development constructed in late 1996 occupying a prominent position within Manukau City's bulk retail area. The property has a head lease to The Warehouse and included within the property are seven sub tenancies.
Net lettable area	8,171 sqm
Asset class	Retail
Current occupancy	100%
Major tenant (%)	The Warehouse (100%)
Passing net rental income p.a.	$1,097,600
Valuation	$11,434,500
Yield on Valuation	9.6%
WALT	5.8 years

Stewart Dawsons Corner, Corner Lambton Quay & Willis Street Wellington

Property description	An amalgamation of three late 1800s buildings located within the heart of Wellington's retail precinct on a prominent corner. The buildings were extensively refurbished and redeveloped during 1996 and now provide three retail tenancies on the ground floor with two levels of subdivided offices above.
Net lettable area	1,800 sqm
Asset class	Retail/office
Current occupancy	100%
Major tenant (%)	Dymocks (50%)
Passing net rental income p.a.	$997,688
Valuation	$11,187,000
Yield on Valuation	8.9%
WALT	3.7 years

Annie Huggan Grove, Wellington

Property description	The property is a bulk retail outlet with associated staff, offices, amenities and storage areas together with approximately 250 onsite carparks completed in 1997. Surrounding premises include a Pak'N Save Supermarket, Briscoes, Carters, Warehouse Stationery and Repco.
Net lettable area	6,799 sqm
Asset class	Retail
Current occupancy	100%
Major tenant (%)	The Warehouse (100%)
Passing net rental income p.a.	$757,344
Valuation	$7,722,000
Yield on Valuation	9.8%
WALT	6.9 years

TOP THREE COMMERCIAL PROFILES

GE Capital Markets Building, Market Place, Auckland

Property description	The property is a comprehensively redeveloped building located within the popular Viaduct harbour precinct. The freestanding building incorporates basement carparking, ground floor office/showroom/retail, and offices on the upper two levels. The building offers superior office accommodation, with original character creating a unique space within the Viaduct precinct. The building is situated on a 5,704 square metre perpetually renewable leasehold site. The ground rent payable under the lease for the site is borne by the tenants.
Net lettable area	10,410 sqm
Asset class	Commercial
Current occupancy	95%
Major tenants (%)	GE Capital (29%), Cuisine Market Management (13%) Holmes Consulting (9%)
Passing net rental income p.a.	$3,517,571
Valuation	$36,000,000
Yield on Valuation	9.8%
WALT	6.5 years

46 Waring Taylor Street, Wellington

Property description	The property has a prime Wellington CBD position, on the corner of Waring Taylor Street and Lambton Quay, and immediately to the North of Midland Park. The building has a three level podium with twelve levels of office accommodation above, principally occupied by the Department of Internal Affairs. The ground floor is used for retail and the basement has 23 carparks.
Net lettable area	9,118 sqm
Asset class	Commercial
Current occupancy	100%
Major tenant (%)	Department of Internal Affairs (87%)
Passing net rental income p.a.	$2,022,090
Valuation	$21,582,000
Yield on Valuation	9.4
WALT	3.7 years

ANZ House, 107 Carlton Gore Road

Property description	The property is the final building in the Domain Centre Office Park and is located adjacent to Ericsson House, which is also owned by the Trust. With five office levels and two levels of fully secure basement carparking, ANZ House comprises large 1,100 square metre floors with a central core that allows the most efficient use of space and provides a superb working environment. ANZ House signals an end to Symphony's massive redesign of Newmarket's Carlton Gore Road, which has now been transformed into a vibrant business and residential district.
Net lettable area	5,981 sqm
Asset class	Commercial
Current occupancy	100%
Major tenant (%)	ANZ Bank (100%)
Passing net rental income p.a.	$1,967,285
Valuation	$21,700,000
Yield on Valuation	9.10%
WALT	9 years

TOP THREE INDUSTRIAL PROFILES

12-20 Bell Avenue, Mt Wellington, Auckland

Property description	This property includes two large industrial buildings on adjoining titles. The buildings are large high-stud distribution warehouses with associated offices and amenities. 18-20 Bell Avenue is leased to Peter Baker Transport and provides a total NLA of 8,998 sqm. 12-16 Bell Avenue is leased to New Wave Logistics and has a NLA of 15,087 sqm.
Net lettable area	24,085 sqm
Asset class	Industrial
Current occupancy	100%
Major tenants (%)	New Wave Logistics (63%) Peter Baker Transport (37%)
Passing net rental income p.a.	$1,909,364
Valuation	$20,314,800
Yield on Valuation	9.4%
WALT	6.9 years

17 Mayo Road, Wiri, Auckland

Property description	The property comprises a substantial warehouse and distribution facility with office accommodation constructed over two levels along the front elevation. The property includes some vacant land, a significant yard component and enjoys dual road access.
Net lettable area	13,796 sqm
Asset class	Industrial
Current occupancy	100%
Major tenant (%)	Kmart (100%)
Passing net rental income p.a.	$993,079
Valuation	$9,603,000
Yield on Valuation	10.3%
WALT	5.8 years

2 & 12 Allens Road & 106 Springs Road, East Tamaki, Auckland

Property description	The property comprises three buildings occupying a prominent corner position in East Tamaki. The parcel is considered a strategic holding that offers development potential as a showroom/office park as the current tenants vacate over time. The existing improvements are average quality industrial buildings.
Net lettable area	9,204 sqm
Asset class	Industrial/development
Current occupancy	100%
Major tenant (%)	Henkel NZ (34%)
Passing net rental income p.a.	$641,392
Valuation	$5,742,000
Yield on Valuation	11.2%
WALT	1.0 year

ANZ HOUSE

NEW ACQUISITION PROFILE

A significant milestone for ING Property Trust was the acquisition of ANZ House, on 30 April 2004.

ANZ House is a flagship property comprising five levels of high-quality commercial offices. The property occupies a prominent position in the favoured Carlton Gore Road area in Newmarket, Auckland.

The entire building has been leased to ANZ Bank (NZ) Limited for nine years and was acquired by the Trust under the First Right of Refusal agreement it has with Symphony — the property's developers. The purchase price was $21.25 million, but the property has been independently valued at $21.7 million.

Net lettable area	5,981 sqm
Asset class	Commercial
Current occupancy	100%
Major tenant	ANZ Bank (100%)
Passing net rental income p.a.	$1,967,285
Valuation	$21,700,000
Yield on Valuation	9.10%
WALT	9 years

The First Right of Refusal agreement gives the Trust the opportunity to acquire commercial, retail and industrial assets before they are taken to the market and at a discount to the independently assessed current market value. The benefits of the first right of refusal deed are clearly illustrated in this transaction.

The direct area has seen significant investment over recent times, and the office development has attracted a number of high-quality corporate tenants including Unilever, AMP, Lion Nathan, Public Trust, Johnson and Johnson, Ericsson and others.

ANZ House is a flagship property comprising five levels of high-quality commercial offices

PORTFOLIO SUMMARY AS AT 31 MARCH 2004

	Property Address	Net Lettable Area (sqm)	Net Current Value as at 31 March 2004	Net Rent pa	Yield
Retail					
1	39 Cavendish Drive, Manukau City, Auckland	8,171	$11,434,500	$1,097,600	9.60%
2	Stewart Dawsons Corner, Cnr Lambton Quay & Willis St	1,800	$11,187,000	$997,688	8.92%
3	Annie Huggan Grove, Wellington	6,799	$7,722,000	$757,344	9.81%
4	180-202 Hutt Road, Kaiwharawhara, Wellington	6,132	$7,128,000	$687,960	9.65%
5	Ti Rakau Dr, Cnr East Tamaki Road, East Tamaki, Auckland	3,085	$5,029,200	$457,488	9.10%
	Total retail portfolio	25,987	$42,500,700	$3,998,080	9.41%
Commercial					
1	GE Capital Markets Building, Market Place, Auckland	10,410	$36,000,000	$3,517,571	9.77%
2	46 Waring Taylor Street, Wellington	9,118	$21,582,000	$2,022,090	9.37%
3	Ericsson House, 107 Carlton Gore Road, Auckland	5,368	$21,350,000	$2,046,196	9.58%
4	626 & 632 Great South Road, Greenlane, Auckland	5,642	$12,127,500	$1,278,375	10.54%
5	56 Cawley Street, Ellerslie, Auckland	4,940	$9,999,000	$922,762	9.23%
6	Liggins Institute Building, 7 Park Avenue, Auckland	3,892	$7,969,500	$807,000	10.13%
7	302 & 308 Great South Road, Greenlane, Auckland	3,475	$6,815,006	$708,961	10.40%
8	65 Upper Queen Street, Auckland	2,651	$5,593,500	$572,450	10.23%
9	25 Nugent Street, Grafton, Auckland	3,028	$3,910,500	$441,113	11.28%
10	706 Great South Road, Penrose, Auckland	2,063	$2,702,700	$302,007	11.17%
	Total commercial portfolio	50,587	$128,049,706	$12,618,525	9.85%
11	ANZ House, 107 Carlton Gore Road, Auckland	5,981	$21,700,000	$1,967,285	9.10%
Industrial					
1	12-20 Bell Avenue, Mt Wellington, Auckland	24,085	$20,314,800	$1,909,364	9.40%
2	17 Mayo Road, Wiri, Auckland	13,796	$9,603,000	$993,079	10.34%
3	2 & 12 Allens Road & 106 Springs Road, East Tamaki, Akl	9,204	$5,742,000	$641,392	11.17%
4	Cnr William Pickering Dr & Rothwell Avenue, Auckland	5,259	$5,484,600	$448,615	8.18%
5	1 & 5 Allens Road, East Tamaki, Auckland	4,553	$3,544,200	$383,860	10.83%
6	306 Neilson Street, Onehunga, Auckland	4,584	$3,415,500	$368,814	10.80%
7	960 Great South Road, Penrose, Auckland	3,676	$3,128,400	$290,440	9.28%
	Total industrial portfolio	65,157	$51,232,500	$5,035,564	9.83%
26	Properties on the disposal list	78,847	$86,411,754	$8,645,551	10.01%
48	**Total of INGPT property portfolio (excl. ANZ House)**	**220,578**	**$308,194,660**	**$30,297,720**	**9.83%**
49	**Total of INGPT property portfolio (incl. ANZ House)**	**226,559**	**$329,894,660**	**$32,265,005**	**9.78%**

WALT as at 31 March 2004	Lease Expiry 31 March 2004	Major Tenants
5.8	30 January 2010	The Warehouse
3.7	11 December 2007	Dymocks, Kimberleys, Stewart Dawson
6.9	21 February 2011	The Warehouse
8.4	22 August 2012	Placemakers
5.8	16 January 2010	Danske Mobler
5.9		
6.5	28 September 2010	GE Capital
3.7	11 December 2007	Dept of Internal Affairs
4.4	23 August 2008	AMP, Ericsson, Johnson and Johnson
4.9	21 February 2009	Telecom Directories, Telarc
3.3	18 July 2007	James & Wells, Caltex
2.6	5 November 2006	University of Auckland
5.3	17 July 2009	Pacific Brands, Metlifecare
2.6	5 November 2006	Jasmax, Lincoln Scott
1.8	17 January 2006	Sony & Schindler
1.4	24 August 2005	Moore Business Forms
5.1		
9.0	30 April 2013	ANZ Bank
6.9	21 February 2011	New Wave Logistics & Peter Baker Transport
5.8	16 January 2010	Kmart
1.0	31 March 2005	Henkel NZ, TNL and Medical Waste
10.3	16 July 2014	Mascot Diecaster
1.6	5 November 2005	National Bank and Biolab
1.5	29 September 2005	Fletcher Steel
3.8	17 January 2008	Gough Gough and Hamer
5.3		
4.1		
4.7		
5.0		

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.

ING Property Trust units are listed on the New Zealand Stock Exchange.

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 Units Trust Act 1960.

The role of the Trustee, subject to the provisions of the Trust Deed, is to supervise the administration and maintenance of the Trust and to ensure that the Manager complies with the Trust Deed. Where the approval of the Trustee is required, the Trustee is to have regard to the best interests of the unitholders.

The Trustee holds the assets of the Trust on behalf of the unitholders and reviews all investment and divestment proposals recommended by the Manager. The Trustee also controls all receipts and authorises all payments of the Trust, as recommended by the Manager.

THE MANAGER

The Manager of the Trust as provided for in the Trust Deed is ING Property Trust Management Limited, a company owned 50.0% by ING (NZ) Limited and 50.0% by Symphony Investments Limited.

The Manager has responsibility for the management of the Trust in accordance with the Trust Deed and in the best interest of unitholders.

The Manager's role and duties are detailed in the Trust Deed and 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.

The day-to-day management of the properties in the portfolio is carried out by ING (NZ) Limited, pursuant to a management agreement it has entered into with the Manager.

THE BOARD OF DIRECTORS OF THE MANAGER

The Board of Directors of the Manager ultimately have 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. The Trust's performance against budget is monitored by the Board, as is the performance of the delegated responsibilities. The day-to-day management of the Trust has been delegated by the Board to the Manager. The Manager is responsible for developing and implementing portfolio, asset and financing strategies, to be recommended to the board. The Manager is supported by the resources and services of ING (NZ) Limited and Symphony Group members.

The Board currently comprises five members, two representing the Manager and three independent directors. All the directors bring a significant level of expertise to the Trust. Their experience includes property investment, management and development, finance, law and corporate management. The Board meets on a regular basis and met 10 times during the 12-month period to 31 March 2004. Brief profiles of the directors of the Manager are set out below. Mr Chris Minty resigned from the board as at 30 April 2003. Mr Andrew Evans was appointed to the board and appointed Managing Director on 1 September 2003.

DIRECTORS

Dr Robin Congreve, Chairman

Dr Congreve is a company director and specialist financial adviser. Having developed a reputation as one of this country's leading tax and commercial advisers, Dr Congreve's directorships have included Comalco, Freightways, Jardine Fleming and Lion Nathan. He is also a past chairman of Post Office Bank, BNZ Finance, NZ Railways Corporation and past deputy chairman of the Bank of New Zealand. He is currently Chairman of Parex Limited and NeuronZ Limited. He also sits on a number of other boards including Symphony Group. In addition, Dr Congreve has maintained an active interest in the arts, including participating at board level in a number of local and international arts bodies, and was Chairman of the NBR New Zealand Opera and the University of Auckland School of Medicine Foundation.

Andrew Evans, Managing Director

Mr Evans is a registered valuer with over 20 years' experience in the property industry, principally with multi-disciplinary property companies in New Zealand and the United Kingdom. A large part of Mr Evans career has covered the provision of property-based advice over the spread of property asset types, including retail investments, commercial offices and industrial investments. Prior to his role as Managing Director, Mr Evans was responsible for the direct property mandates at ING (NZ) Limited, where he held the position of General Manager Property for the past five years. In addition, he is the immediate past President of the Property Council of New Zealand and a foundation member of the New Zealand Property Institute.

Peter Brook, Independent Director

Mr Brook has 20 years' experience in the investment banking industry, during which time he 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. and a director of Trust Investment Management Limited.

Trevor Scott, Independent Director

Mr Scott is a Dunedin-based Chartered Accountant in public practice and Chairman of Arthur Barnett Limited, Pacific Edge Biotechnology Limited, Blis Biotechnology Limited and Tourism Dunedin. In addition, Mr Scott is a director of Hirequip Projex Limited, New Zealand Light Leathers Limited, Mercy Hospital Dunedin Limited, The New Zealand Seed Fund and several other private companies. Mr Scott is also a councillor of the University of Otago.

Michael Smith, Independent Director

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, including those of Finance Director and Executive Director. Mr Smith is a director of a number of public and private companies including Auckland International Airport Limited, Fisher & Paykel Healthcare Corporation Limited, and Hauraki Private Equity No. 1 Fund. Mr Smith's previous directorships include Lion Nathan Limited (1986-2001), and Fonterra Co-Operative Group. Mr Smith is also the Chairman of The Lion Foundation and Tru-Test Corporation Limited.

CORPORATE GOVERNANCE PHILOSOPHY

The Board of Directors 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.

All Directors and Officers of the Manager are required to uphold the highest ethical standards and to act in good faith and the best interests of unitholders at all times. The main ethical guidelines are:

- Ensure compliance with all laws and regulations
- Disclose any potential conflicts of interest and follow guidelines to resolve any potential conflicts of interest
- Use the Trust corporate information only in the best interests of the Trust and not for personal gain
- Enforce strict procedures to maintain confidentiality of information at all times
- At all times act ethically in pursuing the goals of the Trust; and
- Not engage in any activity that adversely reflects on the Trust.

AUDIT COMMITTEE

The Board has formally established an Audit Committee. There must be at least three directors on the committee. All members must be directors, the majority must be independent directors and at least one member must have an accounting or financial background. Current members are Peter Brook, Trevor Scott and Michael Smith. All members are independent directors and all have an accounting or financial background.

A high-quality, independent statutory audit is fundamental to the maintenance of sound corporate governance. It ensures that investors and stakeholders are provided with reliable, open and clear financial information upon which to base their decisions.

The Audit Committee is specifically responsible for:

- The appointment of the statutory auditor
- Supervising and monitoring external audit requirements
- Reviewing annual and semi annual financial statements prior to submission for Board approvals; and
- Reviewing performance of external auditors.

STATEMENT OF FINANCIAL PERFORMANCE

	Note	Group Twelve months to 31 March 2004 ($000s)	Trust Twelve Months to 31 March 2004 ($000s)	Group Four Months to 31 March 2003 ($000s)	Trust Four Months to 31 March 2003 ($000s)
Gross Property Income		19,744	–	2,718	–
Non-recoverable expenses		(5,621)	–	(857)	–
Net property income		**14,123**	**–**	**1,861**	**–**
Fees and interest charged to subsidiaries	5	–	4,957	–	708
Interest received		43	43	5	4
Gains on disposal of properties (net of disposal costs)		4,792	–	–	–
Total income		**18,958**	**5,000**	**1,866**	**712**
Audit fees		81	81	20	20
Doubtful debts		245	–	9	–
Management fees	15	1,104	1,104	56	56
Trustee fees	17	81	81	14	14
Interest expense		3,260	3,260	562	562
Other trust expenses		430	429	15	15
Total expenses		**5,201**	**4,955**	**676**	**667**
Operating surplus before taxation		**13,757**	**45**	**1,190**	**45**
Taxation	9	2,808	15	15	15
Surplus after taxation		**10,949**	**30**	**1,175**	**30**
Unrealised net change in value of investment properties	3	2,787	–	400	–
Surplus for the period		**13,736**	**30**	**1,575**	**30**

STATEMENT OF MOVEMENTS IN EQUITY

	Note	Group Twelve months to 31 March 2004 ($000s)	Trust Twelve Months to 31 March 2004 ($000s)	Group Four Months to 31 March 2003 ($000s)	Trust Four Months to 31 March 2003 ($000s)
Equity at the start of the period		**32,850**	**31,305**	**–**	**–**
Equity issued as consideration for the purchase of properties	2	182,000	182,000	6,277	6,277
Equity issued for cash	2	23,329	23,329	25,266	25,266
Surplus for the period		13,736	30	1,575	30
Dividends to unit holders		(5,180)	(5,180)	(268)	(268)
Equity at the end of the period		**246,735**	**231,484**	**32,850**	**31,305**

The notes on pages 24 to 34 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	Group As at 31 March 2004 ($000s)	Trust As at 31 March 2004 ($000s)	Group As at 31 March 2003 ($000s)	Trust As at 31 March 2003 ($000s)
Equity					
Units on issue	2	236,872	236,872	31,543	31,543
Revaluation reserve	3	3,187	–	400	–
Retained earnings \ (deficit)	4	6,676	(5,388)	907	(238)
TOTAL UNITHOLDERS FUNDS		**246,735**	**231,484**	**32,850**	**31,305**
Represented by:					
Assets					
Current assets					
Cash and deposits		751	23	822	(7)
Accounts receivable		221	–	243	5
Properties intended for sale	6	86,412	–	–	–
Taxation receivable		418	3,204	–	–
Total current assets		**87,802**	**3,227**	**1,065**	**(2)**
Advances to subsidiaries	5	–	290,365	–	56,789
Investment properties	6	221,783	–	57,750	–
Total Assets		**309,585**	**293,592**	**58,815**	**56,787**
Current liabilities					
Accounts payable & accruals	7	1,724	982	504	172
Rent in advance		–	–	151	–
Taxation payable		–	–	3	3
Total current liabilities		**1,724**	**982**	**658**	**175**
Non current liabilities	**8**	**61,126**	**61,126**	**25,307**	**25,307**
Total liabilities		**62,850**	**62,108**	**25,965**	**25,482**
NET ASSETS		**246,735**	**231,484**	**32,850**	**31,305**

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

Peter Brook
Director

Michael Smith
Director

Date: 18 June 2004

The notes on pages 24 to 34 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

	Note	Group Twelve months to 31 March 2004 ($000s)	Trust Twelve Months to 31 March 2004 ($000s)	Group Four Months to 31 March 2003 ($000s)	Trust Four Months to 31 March 2003 ($000s)
Cash flows from operating activities					
Cash was provided from:					
Net property income		12,464	–	1,941	–
Interest received		43	43	5	4
Rent in advance		–	–	151	–
Cash was applied to:					
Management and trustee fees		(737)	(737)	(50)	(50)
Interest expense		(2,814)	(2,814)	(437)	(437)
Taxation		(3,229)	(3,220)	(12)	(12)
Other trust expenses		(511)	(590)	(8)	(13)
Net cash flows from \ (used in) operating activities	**11**	**5,216**	**(7,318)**	**1,590**	**(508)**
Cash flows from investing activities					
Cash was provided from:					
Sale of properties		51,027	–	–	–
Cash was applied to:					
Capital additions		(664)	–	–	–
Purchase of properties		(109,616)	–	(51,073)	–
Net cash flows used in investing activities		**(59,253)**	**–**	**(51,073)**	**–**
Cash flows from financing activities					
Cash was provided from:					
Debt drawdown		111,150	111,150	25,807	25,807
Issue of units		24,200	24,200	25,266	25,266
Cash was applied to:					
Advances to subsidiaries		–	(46,618)	–	(49,804)
Cost of issuing units		(871)	(871)	–	–
Distributions		(5,180)	(5,180)	(268)	(268)
Debt repaid		(75,333)	(75,333)	(500)	(500)
Net cash flows from financing activities		**53,966**	**7,348**	**50,305**	**501**
Net increase/(decrease) in cash		(71)	30	822	(7)
Opening cash brought forward		822	(7)	–	–
Ending cash carried forward		**751**	**23**	**822**	**(7)**

The notes on pages 24 to 34 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

The following accounting policies have been adopted in the preparation of these financial statements:

(a) Reporting entity

ING Property Trust is a unit trust established under the Unit Trusts Act 1960 by a Trust Deed dated 30 October 2002.
ING Property Trust is an issuer for the purposes of the Financial Reporting Act 1993. The Financial Statements are those of ING Property Trust and its subsidiaries and have been prepared in accordance with the Financial Reporting Act 1993, the Unit Trust Act 1960 and the Trust Deed.

(b) Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the group, modified by the revaluation of the investment properties.

The reporting currency is New Zealand dollars.

(c) Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(i) Consolidation of group financial statements

The Group financial statements include those of the parent Trust and its controlled subsidiaries accounted for using the purchase method.
The results of the subsidiaries are included in the Group Financial Statements from the date of acquisition which is the date the Trust became entitled to income from the subsidiaries acquired. All significant intercompany transactions are eliminated on consolidation.
The Trust's subsidiaries are:

- ING Property Trust No 1 Limited
- ING Property Trust No 2 Limited
- ING Property Trust No 3 Limited
- ING Property Trust No 4 Limited

(ii) Property

Investment properties are initially recorded at cost (including acquisition costs, if any). In each subsequent year the properties are stated at net current value (market value less an allowance for disposal costs, if any) as determined by an independent registered valuer. Any unrealised increases or decreases in value of the properties are charged against income in the period they are identified.

The vendors of the GE Capital Building and Ericsson House have undertaken to reimburse the Trust for any disposal costs associated with the sale of the properties to a maximum of 1% of the purchase price paid, for a period of five years from settlement.

Properties intended for sale are classified under current assets. They are stated at the lower of cost or net realisable value.

Titles to all properties are restricted by mortgages in favour of the financier.

(iii) Depreciation

No depreciation on the investment properties has been charged in the Financial Statements as the annual valuation takes into account the state of each investment property as at balance date. In calculating taxation the allowable rates for depreciation have been used.

(iv) Recognition of income

Lease agreements with tenants provide for regular monthly payments of rental and outgoings. All income is recognised as earned.

Operating expenses borne by tenants are offset by recoveries from tenants. Operating expenses not borne by tenants are netted against rental income.

NOTES TO THE FINANCIAL STATEMENTS *continued*

(v) Taxation
The income tax expense charged to the Statement of Financial Performance includes both the current period's taxation provision and the income tax effect of timing differences calculated using the liability method. Tax effect accounting is applied on a partial basis to those timing differences expected to reverse in the foreseeable future. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation. No deferred tax liability is recognised in respect of tax depreciation timing differences as it is the Manager's intention to hold the investment properties indefinitely.

(vi) Provision for dividend
Provision for dividends are recorded in the Financial Statements when they are declared. Dividends declared after balance date are not accrued.

(vii) Statement of cash flows
The Statement of Cash Flows is prepared on a GST exclusive basis, which is consistent with the Statement of Financial Performance.

(viii) Definitions of the terms used in the statement of cash flows
Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash, used by the Trust in its day to day cash management.

Investing activities are those activities relating to the acquisition and disposal of property and other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Trust and those activities relating to the cost of servicing the Trust's equity capital, including dividend payments.

Operating activities include all transactions and other events that are not investing or financing activities.

(ix) Investments in subsidiaries
Investments in subsidiaries are valued at cost.

(x) Financial instruments
Financial instruments carried on the Statement of Financial Position include cash and deposits, accounts receivable, accounts payable & accruals, and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

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

(xi) Goods and Services Tax (GST)
The Statement of Financial Performance has been prepared so that all components are stated exclusive of GST.

(d) Comparative information
Comparative figures for 2003 are for four months as the Trust only commenced trading on 3 December 2002.

(e) Changes in accounting policies
There have been no changes in the above accounting policies, which have been applied on a basis consistent with the forecasts.

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Units

	Group & Trust 2004	Group & Trust 2004	Group & Trust 2003	Group & Trust 2003
	No of Units	$	No of Units	$
Opening balance 1 April 2003	31,543,000	31,543,000	–	–
Issue of units for cash per prospectus dated 31 October 2002	–	–	25,266,000	25,266,000
Issue of units as part payment of purchase of GE Capital Building and Ericsson House	–	–	6,277,000	6,277,000
Issue of units for cash to purchase Liggins Institute Building	4,200,000	4,200,000	–	–
Issue of units as consideration for part payment of purchase of MFL & SIL properties	182,000,000	182,000,000	–	–
Issue of units for cash to purchase ANZ House	20,000,000	20,000,000	–	–
Issue cost of units	–	(871,092)	–	–
Closing balance as at 31 March 2004	237,743,000	236,871,908	31,543,000	31,543,000

3. Revaluation reserve

	2004 Group	2004 Trust	2003 Group	2003 Trust
	($000s)	($000s)	($000s)	($000s)
Opening balance 1 April 2003	400	–	–	–
Change in value of investment properties reflected in the Statement of Financial Performance	2,787	–	400	–
Closing balance as at 31 March 2004	3,187	–	400	–

4. Retained earnings

	2004 Group	2004 Trust	2003 Group	2003 Trust
	($000s)	($000s)	($000s)	($000s)
Opening balance 1 April 2003	907	(238)	–	–
Net surplus after taxation	10,949	30	1,175	30
Distributions to unitholders	(5,180)	(5,180)	(268)	(268)
Closing balance as at 31 March 2004	6,676	(5,388)	907	(238)

5. Advances to subsidiaries

Advances have been made by ING Property Trust to each of the subsidiaries to finance the purchases of investment properties and properties intended for sale.

The subsidiaries also pay interest and management fees to the Trust.

NOTES TO THE FINANCIAL STATEMENTS *continued*

6. Properties

During the period the Trust purchased a total of 72 properties. This included a portfolio of 71 properties from MFL Mutual Fund Limited and Superannuation Investments Limited in December 2003 for a total consideration of $282,745,885, and the Liggins Institute Building for $7,900,000.

At balance date the Trust had entered into a conditional contract to purchase ANZ House in Newmarket, Auckland, for $21,245,860.

	Valuer	2004 Group	2004 Trust	2003 Group	2003 Trust
		($000s)	($000s)	($000s)	($000s)
Investment Properties					
GE Capital Building (leasehold), Viaduct Harbour	CB Richard Ellis	36,000	–	36,550	–
Ericsson House, Newmarket	CB Richard Ellis	21,350	–	21,200	–
7 Park Ave – Liggins Institute, Grafton	CB Richard Ellis	7,970	–	–	
1 and 5 Allens Rd, East Tamaki	DTZ	3,544	–	–	–
2 and 12 Allens Rd, and 106 Springs Rd, East Tamaki	DTZ	5,741	–	–	–
12–20 Bell Ave, Mt Wellington	DTZ	20,314	–	–	–
39 Cavendish Dr, Manukau City	DTZ	11,435	–	–	–
56 Cawley St, Ellerslie	DTZ	9,999	–	–	–
302 and 308 Great South Rd, Greenlane	DTZ	6,815	–	–	–
626 and 632 Great South Rd, Penrose	DTZ	12,128	–	–	–
706 Great South Rd, Penrose	CB Richard Ellis	2,703	–	–	–
960 Great South Rd, Penrose	CB Richard Ellis	3,128	–	–	–
17 Mayo Rd Wiri, K Mart, Wiri	DTZ	9,603	–	–	–
306 Neilson St, Onehunga	CB Richard Ellis	3,416	–	–	–
25 Nugent St, Grafton	CB Richard Ellis	3,911	–		–
Ti Rakau Dr, cr East Tamaki Rd, East Tamaki	DTZ	5,029	–	–	–
65 Upper Queen St,Auckland	DTZ	5,594	–	–	–
Cnr William Pickering Dr & Rothwell Ave, Albany	CB Richard Ellis	5,485	–	–	–
Annie Huggan Grove, Wellington	CB Richard Ellis	7,722	–	–	–
180-202 Hutt Rd, Kaiwharawhara	CB Richard Ellis	7,128	–	–	–
Stewart Dawsons Cnr, Wellington	DTZ	11,187	–	–	–
46 Waring Taylor St, Wellington	CB Richard Ellis	21,581	–	–	–
Net current value as at 31 March 2004		221,783	–	57,750	–

All investment properties were valued on 31 March 2004 (on 30 October 2002 in prior year — the directors received advice from the valuer that the values had not materially changed at 31 March 2003).

Properties intended for sale

There were 26 properties intended for sale at balance date with a value of $86,411,754 (2003, nil). During the period the Trust sold and settled 19 properties for $50,529,523 (2003, nil). At balance date the Trust had entered into unconditional sales contracts for 5 properties totalling $15,564,208 (2003, nil). Subsequent to balance date the Trust has entered into a further unconditional contract for $2,527,000

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

7. Accounts payable and accruals

	2004 Group	2004 Trust	2003 Group	2003 Trust
	($000s)	($000s)	($000s)	($000s)
Interest accrued on non-current liabilities	465	465	125	125
Manager's fee accrued	468	468	16	16
Deposits received on property disposals	497	–	–	–
Other creditors and accruals	294	49	363	31
Balance as at 31 March 2004	1,724	982	504	172

8. Non current liabilities

	2004 Group	2004 Trust	2003 Group	2003 Trust
	($000s)	($000s)	($000s)	($000s)
ANZ Banking Group (New Zealand) Limited	61,126	61,126	25,307	25,307
Total term liabilities	61,126	61,126	25,307	25,307
Payment due within 12 months reclassified to current liabilities	–	–	–	–
Balance as at 31 March 2004	61,126	61,126	25,307	25,307

The Trust has a revolving credit facility with the ANZ Banking Group (New Zealand) Limited of $140,000,000 secured by way of mortgage over the properties of the Trust. The effective interest rate on the borrowings as at 31 March 2004 was 6.05% per annum (2003, 6.91%). The facility has a term of 3 years and expires on 10 December 2006.

9. Income tax

	2004 Group	2004 Trust	2003 Group	2003 Trust
	($000s)	($000s)	($000s)	($000s)
Operating Surplus before Taxation	13,757	45	1,190	45
Tax Depreciation	5,246	–	1,144	–
Taxable Income	8,511	45	46	45
Taxation at 33%	2,808	15	15	15
The Taxation charge is made up as follows:				
Current Taxation	2,808	15	15	15
Deferred Taxation	–	–	–	–

The Trust applies the partial method of accounting for deferred taxation. As explained in the Statement of Accounting Policies, tax depreciation is claimed but no deferred liability is recognised in respect of depreciation recoverable on investment properties as it is not expected to reverse in the foreseeable future. The total tax liability that would arise if all investment properties were sold as at current carrying values would be $2,108,725 (2003, $377,680).

NOTES TO THE FINANCIAL STATEMENTS *continued*

10. Imputation credit account

	2004 Group	2004 Trust	2003 Group	2003 Trust
	($000s)	($000s)	($000s)	($000s)
Opening balance 1 April 2003	9	9	–	–
Taxation paid during the year	3,229	3,229	12	12
Imputation credits on distributions to unitholders	(928)	(928)	(3)	(3)
Balance as at 31 March 2004	2,310	2,310	9	9

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

	2004 Group	2004 Trust	2003 Group	2003 Trust
	Twelve Months to 31 March 2004 ($000s)	Twelve Months to 31 March 2004 ($000s)	Four Months to 31 March 2003 ($000s)	Four Months to 31 March 2003 ($000s)
Net cash flows from \ (used in) operating activities	**5,216**	**(7,318)**	**1,590**	**(508)**
Movements in:				
Accounts payable and accruals	(1,206)	(1,052)	(504)	(172)
Rent in advance	151	–	(151)	–
Taxation payable	421	3,206	(3)	(3)
Accounts receivable and prepayments	459	237	243	5
Unrealised net change in value of investment properties	2,787	–	400	–
Gains on disposal of properties*	5,908	–	–	–
Advances to subsidiaries	–	4,957	–	708
Surplus for the period	13,736	30	1,575	30

*Gross proceeds from sales of properties are included as an investing activity within the cash flow, and disposal costs of $1.16 million have been included within operating cash flows

12. Financial instruments

The following financial assets and liabilities which potentially subject the Trust to financial risk have been recognised in the financial statements:

	2004 Group	2004 Trust	2003 Group	2003 Trust
	As at 31 March 2004 ($000s)	As at 31 March 2004 ($000s)	As at 31 March 2003 ($000s)	As at 31 March 2003 ($000s)
Cash and deposits	751	23	822	(7)
Accounts receivable	221	–	243	5
Accounts payable & accruals	(1,724)	(982)	(504)	(172)
Net carrying amount of recognised financial instruments	(752)	(959)	561	(174)

NOTES TO THE FINANCIAL STATEMENTS *continued*

12. Financial instruments *continued*

Credit risk
In the normal course of business the Trust incurs credit risk from debtors. The Trust places its cash deposits with the ANZ Banking Group (New Zealand) Limited.

Currency risk
There are no amounts receivable or payable in foreign currencies.

Interest rate risk
The Trust's revolving credit facility is subject to market risk in the event of interest rate changes. To manage this risk, the Trust has implemented a laddered hedging strategy by entering into interest rate swap contracts that have a range of maturities, intended to match the Trust's tenancy expiries. The contract amounts of interest rate swaps outstanding at balance date were:

Maturing	2004	Effective Interest Rate (%)	2003	Effective Interest Rate (%)
2004	–	–	25,000,000	6.11
2005	25,000,000	5.04	–	–
2006	38,000,000	6.57	25,000,000	6.35
2007	13,000,000	6.16	–	–
2008	13,000,000	6.22	–	–
2009	13,000,000	6.52	–	–

Credit facilities
The Trust has a revolving credit facility with ANZ Banking Group (New Zealand) Limited of $140,000,000. As at 31 March 2004 $61,125,770 (2003, $25,307,000) had been drawn-down at an effective interest rate of 6.05% (2003, 6.91%).

Fair value
The carrying value of cash, accounts receivable and accounts payable and accruals is equivalent to their fair value.

The fair value of interest rate swaps at balance date is a loss of $739,652.

The fair value of the bank loan at balance date is $61,597,941.

NOTES TO THE FINANCIAL STATEMENTS *continued*

13. Comparison to forecast financial statements

ING Property Trust issued a prospectus dated 31 October 2002 and an Explanatory Memorandum dated 12 November 2003, both of which included forecast financial statements for the Trust, for the period ended 31 March 2004. A comparison of actual and forecast results for the period ended 31 March 2004 is set out below:

Consolidated Statement of Financial Performance	Actual	Explanatory Memorandum	Prospectus
	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)
Net property income	**14,123**	**14,935**	**5,789**
Gains on disposal of properties (net of disposal costs)	4,792	–	–
Total expenses (net of interest received)	**5,158**	4,317	2,246
Operating surplus before taxation	**13,757**	10,618	3,543
Taxation	2,808	1,704	111
Surplus after taxation	**10,949**	8,914	3,432
Unrealised net change in value of investment properties	2,787	1,517	–
Surplus for the period	**13,736**	10,431	3,432
Units on issue	237,743	217,743	31,543
Earnings per unit (cents) - before revaluations and taxation	11.15	11.15	11.23
Net tangible assets per unit (cents)	103.78	102.98	103.96
Debt to gross assets	19.7%	32.8%	43.4%

The following distributions have either been made or were subsequently declared for the period:

	Actual	Explanatory Memorandum	Prospectus
	Group 31 March 2004	Group 31 March 2004	Group 31 March 2004
Cash distribution (cents per unit)[1]	10.00	10.20	10.88
Imputation credits (cents per unit)	1.15	0.95	0.35
Gross distribution (cents per unit)	**11.15**	**11.15**	**11.23**
% Imputed	20.9%	17.3%	3.1%
Market value of units (cents)	$1.00	$1.00	$1.00

[1] Cash distribution before deduction of any withholding tax as may be required by legislation

NOTES TO THE FINANCIAL STATEMENTS *continued*

Consolidated Statement of Movements in Equity	Actual	Explanatory Memorandum	Prospectus
	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)
Equity at the start of the period	32,850		32,797
Equity issued as consideration for the purchase of properties	182,000		–
Equity issued for cash	23,329		–
Surplus for the period	13,736		3,432
Dividends to unitholders	(5,180)		(3,438)
Equity at the end of the period	**246,735**	**224,222**	**32,791**

Consolidated Statement of Financial Position	Actual	Explanatory Memorandum	Prospectus
	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)
Assets			
Current assets	87,802	197	433
Investment properties	221,783	337,171	57,750
Total assets	**309,585**	**337,368**	**58,183**
Current liabilities			
Other current liabilities	1,724	2,395	139
Total current liabilities	**1,724**	**2,395**	**139**
Non current liabilities	**61,126**	**110,751**	**25,253**
Total liabilities	**62,850**	**113,146**	**25,392**
Equity	**246,735**	**224,222**	**32,791**
Total liabilities and equity	**309,585**	**337,368**	**58,183**

NOTES TO THE FINANCIAL STATEMENTS *continued*

Consolidated Statement of Cash Flows	Actual	Explanatory Memorandum	Prospectus
	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)	Group 31 March 2004 ($000s)
Net cash flows from operating activities	**5,216**		**3,419**
Net cash flows used in investing activities	**(59,253)**		**–**
Net cash flows from / used in financing activities	**53,966**		**(3,420)**
Net (decrease) in cash	**(71)**		**(1)**
Opening cash brought forward	822		434
Ending cash carried forward	**751**		**433**

The forecast financial statements were based on a series of assumptions. The Prospectus assumed that the Trust would own two properties during the year ended 31 March 2004. As the Trust purchased 72 properties during the year, the actual performance is significantly higher than the Prospectus forecast. The Explanatory Memorandum did not include the impact of any property sales during the year. As the Trust sold 19 properties, net property income is lower whilst gains on disposals have been recorded. The property sales have also allowed for greater debt repayments. Variances in expenses are largely due to no allowance being made in the the Explanatory Memorandum for doubtful debts or incentive fees. Prevailing interest rates were also higher than projected, leading to higher interest costs.

14 Principal business activity and segment information

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

15. Transactions with related parties

The Trust is managed by ING Property Trust Management Limited (ING PTML). ING PTML is owned equally by ING (NZ) Limited and Symphony Investments Limited.

During the period the Trust has incurred manager's fees and incentive fees of $1,104,037 (2003, $56,140). The calculation of management fees and incentive fees is stipulated in the Trust Deed. Management fees have been charged at either 0.3% (from 1 April 2003 to 30 November 2003) or 0.5% (from 1 December 2003 to 31 March 2004) of the average of the gross asset value 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. The amount outstanding as at 31 March 2004 was $467,975 (2003, $16,211). Units held in the Trust by ING Property Trust Management Limited were nil as at 31 March 2004 (2003, nil).

Properties owned by the Trust have been managed, on normal commercial terms by Paramount Property Management Limited (from 1 April 2003 to 31 August 2003) and ING (NZ) Limited (from 1 September 2003 to 31 March 2004). Property management fees charged are included in property operating expenses.

Symphony Properties Limited (Symphony Group Company) paid for naming rights and storage within the GE Capital Building. The total paid by Symphony Properties Limited was $42,925 (2003, $10,533).

Waimarie Limited paid for rental within the GE Capital Building. The total paid by Waimarie Limited was $246,884 (2003, nil).

ING (NZ) Limited paid for rental within the MFL House building. The total paid by ING (NZ) Limited was $49,906 (2003, nil).

16. Trust Deed

The terms of the Trust are set out in the Trust Deed dated 30 October 2002. There have been no amendments of that Deed. The Trust terminates after a period of 80 years on 29 October 2082.

NOTES TO THE FINANCIAL STATEMENTS *continued*

17. Trustee Information

The Trustee is New Zealand Guardian Trust. 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 fund, or such lesser percentage as is agreed between the Manager and Trustee from time to time.

The minimum amount payable for the fee is $20,000 per annum. The fee in the current period was set at 0.075% per annum of the gross value of the Trust.

18. 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 $281,321 (2003, $70,330).

The annual ground lease commitment 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.

ANZ House

The Trust had capital commitments as at 31 March 2004 of $21,245,860 relating to the purchase of ANZ House (2003, nil).

Building Upgrades

The Trust had capital commitments as at 31 March 2004 of $95,194 relating to building upgrades not yet completed (2003, nil).

There were no other commitments as at 31 March 2004 (2003, nil).

19. Contingencies

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

20. Subsequent events

The Trust completed the purchase of ANZ House on 30 April 2004. The purchase price was $21,245,860.

There have been no other material events subsequent to balance date.

21. NZX waivers

As fully described in the prospectus relating to the initial public offer of Units in the Trust, to the extent the amounts payable to the manager under the Trust Deed or to ING Property Trust Management Limited under the Management Agreement, exceed or may in the future exceed the thresholds set out in the Listing Rules of the New Zealand Stock Exchange, the New Zealand Stock Exchange has waived the requirement for the Trust to seek approval of the unitholders for the entry by the Trust into these arrangements.

22. Change of name

On 1 September 2003, Paramount Property Trust was renamed ING Property Trust.

23. Subsidiaries

Name	Principal Activity	Shareholder	Year End
ING Property Trust No 1 Limited	Property management	Paramount Nominees Limited	31 March 2004
ING Property Trust No 2 Limited	Property management	Paramount Nominees Limited	31 March 2004
ING Property Trust No 3 Limited	Property management	Paramount Nominees Limited	31 March 2004
ING Property Trust No 4 Limited	Property management	Paramount Nominees Limited	31 March 2004

All subsidiaries were incorporated in New Zealand and are one hundred percent owned by Paramount Nominees Limited.

ING Property Trust No 4 Limited is the corporate Trustee of ING No 1 Trust. ING Property Trust has control over ING No 1 Trust, as defined by FRS–37. ING Property Trust is therefore required to consolidate ING No 1 Trust in its group financial statements.

24. Fees paid to Auditor

During the period the Trust paid Deloitte $23,870 for assurance services in relation to the purchase of property from MFL Mutual Fund Limited and Superannuation Investments Limited.

Deloitte.

AUDIT REPORT TO THE UNITHOLDERS OF ING PROPERTY TRUST

We have audited the financial report on pages 21 to 34. The financial report provides information about the past financial performance and financial position of ING Property Trust and group as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 24 and 25.

Manager of the Trust's responsibilities
The Manager of the Trust is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice of a financial report which gives a true and fair view of the financial position of ING Property Trust and group as at 31 March 2004 and of the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities
It is our responsibility to express an independent opinion on the financial report presented by the Manager of the Trust and report our opinion to you.

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

- the significant estimates and judgements made by the Manager of the Trust in the preparation of the financial report, 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 report is 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 report.

Other than in our capacity as auditor and provision of assurance services, 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 report on pages 21 to 34.
  - complies with generally accepted accounting practice in New Zealand;
  - gives a true and fair view of the financial position of ING Property Trust and group as at 31 March 2004 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 18 June 2004 and our unqualified opinion is expressed as at that date.

Deloitte

AUCKLAND, NEW ZEALAND   CHARTERED ACCOUNTANTS

UNITHOLDER STATISTICS

Twenty largest unitholders

Unitholders	No of Units	% of Total Issued Units
MFL Mutual Fund Limited	162,450,802	68.33%
Superannuation Investments Limited	19,549,198	8.22%
Jarden Custodians Limited	4,500,000	1.89%
South Canterbury Finance Limited	4,000,000	1.68%
Pacific Capital Investments Limited	3,069,655	1.29%
Symphony Investments Limited <No 2 A/C>	3,000,000	1.26%
Forbar Custodians Limited <PPM Low>	2,318,975	0.98%
Forbar Custodians Limited <PPM Medium A/C>	2,213,047	0.93%
Symphony Investments Limited <No 2 A/C>	1,800,000	0.76%
Essex Castle Unlimited	1,650,000	0.69%
Westpac Banking Corporation – Client Assets No 2 – NZCSD A/C	1,613,400	0.68%
University of Otago	1,500,000	0.63%
Accident Compensation Corporation – A/C NZCSD	1,500,000	0.63%
H B Williams Turanga Trust	1,000,000	0.42%
Frimley Foundation	1,000,000	0.42%
Colman Securities Limited	1,000,000	0.42%
Forbar Custodians Limited <PPM High>	697,000	0.29%
Edot Holdings Limited	590,000	0.25%
Forbar Custodians Limited <PPM Exempt>	502,500	0.21%
J N Williams Memorial Trust	500,000	0.21%
Austin Company Limited	500,000	0.21%
Julian Smith and Trevor Scott and Stuart Walker	500,000	0.21%
Fraser Smith Holdings Limited	500,000	0.21%
Total	**215,954,577**	**90.82%**
Total Units on Issue	**237,743,000**	

Spread of unitholders

Unitholders	No of Unit Holders	Total Units	% of Total Issued Units
0 – 999	6	3,100	0.00%
1,000 – 1,999	13	14,000	0.01%
2,000 – 4,999	140	363,425	0.15%
5,000 – 9,999	221	1,291,254	0.54%
10,000 – 49,999	515	8,821,036	3.71%
50,000 – 99,999	55	3,236,186	1.36%
100,000 – 499,999	51	8,059,422	3.39%
500,000 – 999,999	7	3,789,500	1.59%
1,000,000 +	16	212,165,077	89.25%
Total	**1,024**	**237,743,000**	**100.00%**

Holdings of directors of the manager

Unitholders Number of Units	Non-beneficial	Beneficial	Associated Person
Trevor Scott	3,650,000	500,000	–
Peter Brook	200,000	50,000	–
Michael Smith	–	100,000	–
Robin Congreve	–	–	–
Andrew Evans	–	–	–

DIRECTORY

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Peter Clynton Brook, Auckland
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