2007

ING Medical Properties Trust

Interim Financial Statements
31 December 2007

Contents

Highlights

Property revenue

Total property revenue increased by 8.3%.

Interim distributions

4.3% increase in interim distributions.

Acquisition and development

Acquisition of the Apollo Health and Wellness Centre and the completion of the Kensington Hospital Endoscopy unit extension.

Leasing

New eight year lease term agreed with Biomed, Pt Chevalier, Auckland.

Interest rate management

Exposure to rises in interest rates minimised.

Portfolio

99.5% occupied with a weighted average lease term of 9.4 years.

Gearing ratio

Unitholder approval of an increase in the maximum gearing ratio.

Corporate governance

Improved corporate governance, including:

- unitholders to nominate and vote on independent Directors;
- lower threshold for unitholders to request an extraordinary meeting of the Trust to unitholders holding 5% or more of the units; and
- separate auditor for the Manager and the Trust.

Chairman's Report

For the six months to 31 December 2007, ING Medical Properties Trust (the "Trust") has been actively managing the existing portfolio while investigating a number of medium-term opportunities in its targeted sectors and markets.

The portfolio has a strong tenant covenant and income stream backed with the majority of tenants being either high quality entities or specialist operators. Four of the Trust's key assets are leased to District Health Boards and premium hospital operators. These include Mercy Ascot and Epworth Foundation, both leaders in the management and operation of private hospitals.

In October 2007, the Trust acquired the Apollo Health and Wellness Centre ("Apollo") in Albany, Auckland. This was the first passive investment acquisition for the Trust for many years. The $23 million acquisition, has a substantial and diversified medical and healthcare tenant pool and further strengthens the Trust's primary care asset class by increasing the portfolio weighting of that sector from 3% to 12%.

Apollo is an integrated primary healthcare facility and is recognised nationally as the model template for the provision of primary healthcare in New Zealand. The Manager is focused on developing or acquiring similar quality assets moving forward.

The November 2007 Annual Meeting saw robust debate about, and approval for, a number of positive corporate governance changes. At the meeting, I committed to further enhance the frequency and quality of the Manager's communication with unitholders moving forward. The first stage will be the updating and subsequent re-launch of the Trust's website in the fourth quarter. This will allow a greater level of interaction and information for existing and potential unitholders. The Manager has also planned an investor road show for mid 2008 in the main centres around New Zealand. This will provide both existing and potential investors an opportunity to meet senior management and discover more about the Trust and its future. The Manager will also continue to produce a regular newsletter for investors, providing a wide range of information about the Trust, its people and portfolio and any relevant market or sector news.

Over the latter part of 2007 and early 2008, there has clearly been commercial and economic volatility in the global and local financial markets. The Trust's unit price has not been immune to this. The unit price has fluctuated in a range over the period from 1 July 2007 to 28 February 2008 from $1.38 to $1.03 settling at around $1.15 in early March 2008.

The Trust is defensively positioned for long-term investment, with fundamental underlying asset value and sound growth prospects. The Trust has quality assets with excellent tenant covenants, long-term secure income streams, and sustainable rental growth, matched to a very secure interest rate and capital management position. The Trust's total return over a one, three and five year period, as compared with the NZX Gross Property Index is detailed below:

Annualised returns to 31 December 2007	1 year	3 year	5 year
ING Medical Properties Trust	-12.5%	14.5%	16.8%
NZX Gross Property Index	-4.3%	12.7%	14.3%

Financial overview

The six months to 31 December 2007 has seen the Trust deliver its first NZ IFRS results. The net profit after tax was $5.3 million as compared to $5.2 million for the same period last year.

Total property revenue has increased to $10.5 million, 8.3% above the $9.7 million for the same period last year.

The pre-tax income distribution for the six months to 31 December 2007 increased 4.3% to 4.9 cents per unit from 4.7 cents for the half year to 31 December 2006.

At period end, the net tangible asset backing was $1.29 per unit, up from $1.28 as at 30 June 2007 (excluding deferred tax on revaluation gains on capital account property). The increase can be attributed to the exchange rate movement over the period.

Portfolio position

The Trust's weighted average lease term remains by far the longest of the New Zealand Listed Property sector, at 9.4 years (the New Zealand Listed Property Trust average as at 31 December 2007 was 5.8 years). Of the 108 leases in the portfolio, a total of six leases expired and five leases were renewed or renegotiated.

As at 31 December 2007 portfolio vacancy levels remain at less than 1%. The total portfolio vacancy will increase to approximately 5% following the settlement of Ascot Central in March 2008, which is currently 40% pre-leased. Following a settled period of leasing activity over the latter half of 2007 and early 2008 the Manager is now pursuing a number of new leasing opportunities.

During the six months to 31 December 2007, six rent reviews were completed, including five structured reviews (CPI or fixed increases) and one turnover review. The average annual increase in rent of those leases that were reviewed was 3.8%.

Capital management

The Trust has a structured low risk capital and treasury management policy. The Trust is currently 30% geared (33% post Ascot Central settlement) with 94% of the drawn debt covered by the Trusts' interest rate swap portfolio. The portfolio has a weighted average duration of 4.7 years, with only $5 million of cover rolling off in 2009, meaning the Trust is well-positioned in the current high interest rate environment. The weighted average interest rate of the swap portfolio is 6.9%, excluding bank margins and fees.

Future change of Manager ownership

Symphony Investments Limited ("Symphony") and ING (NZ) Limited ("INGNZ") have been in discussions regarding INGNZ taking full ownership and control of ING Property Trust Management Limited ("INGPTML"). INGPTML is the owner of ING Medical Properties Limited, the manager of ING Medical Properties Trust.

Symphony has notified INGNZ that it is exercising its right to sell the 50% shareholding it has in INGPTML to INGNZ.

The parties are currently in discussions as to the conditions of the sale to ensure the smooth transition of the functions currently performed by Symphony for ING Medical Properties Limited.

It is expected that the sale of the shares will take several months to complete, at which time INGNZ will become the sole owner of INGPTML.

PIE regime results in positive tax changes

In December, the Trust made its first distribution under the new Portfolio Investment Entity (PIE) regime, which took effect from 1 October 2007.

The table below illustrates the increase in the after-tax distributions received by unitholders.

Net income to investors (cents per unit)

	NZ marginal tax rate				Non-resident
	39.0%	33.0%	19.5%	0.0%	15.0%
Pre-PIE	2.99	3.28	3.94	4.15	3.76
PIE	4.15	4.15	4.46	4.15	4.15
% change	**+39%**	**+26%**	**+13%**	**+0%**	**+10%**

1. Always verify your personal tax position with an independent tax advisor.
2. Further tax may be payable in the non-resident's tax jurisdiction.

Outlook

Notwithstanding historic and forecast economic conditions, the underlying fundamentals of the Trust and its property portfolio remains solid and defensively positioned. The Trust has secure, long-term income streams and a well-insulated interest rate and capital management profile.

Underlying health sector fundamentals are robust, and retain a positive outlook. A number of industry statistics confirm the solid health and medical sector growth in both New Zealand and Australia, particularly in the provision of private sector healthcare services.

The Manager will continue to actively manage the existing portfolio and enhance unitholder returns, with a continued focus on exploring strategic opportunities and initiatives in both New Zealand and Australia.

The Board remains confident in its projection of an enhanced performance and distribution for the 2007/2008 year, which has been supported to date with the interim half-year gross distribution of 4.9 cents per unit, 4.3% better than the equivalent period last year.

The Board and the Manager appreciate the ongoing support of unitholders and look forward to a busy second half-year to 30 June 2008.

William (Bill) Thurston
Chairman

Consolidated Interim Balance Sheet

as at 31 December 2007 (unaudited)

	Note	Group (unaudited) As at 31 December 2007 $000s	Group (unaudited) As at 31 December 2006 $000s	Group (unaudited) As at 30 June 2007 $000s
Non-current assets				
Investment properties	5	**269,845**	227,641	242,448
Derivative financial instruments	6	**2,705**	764	1,405
Other non-current assets	7	**229**	5,240	4,571
Total non-current assets		**272,779**	233,645	248,424
Current assets				
Cash and cash equivalents		**1,453**	2,121	1,401
Trade and other receivables		**736**	502	428
Investments	8	**-**	1,199	-
Other current assets	9	**4,338**	766	766
Total current assets		**6,527**	4,588	2,595
Total assets		**279,306**	238,233	251,019
Unitholders' funds				
Units on issue	10	**148,295**	147,035	148,295
Foreign currency translation reserve	11	**346**	(406)	(1,156)
Retained earnings	12	**25,443**	12,443	25,291
Total unitholders' funds		**174,084**	159,072	172,430
Non-current liabilities				
Borrowings	13	**81,144**	55,279	56,029
Derivative financial instruments	6	**-**	-	8
Deferred tax	14	**21,615**	20,286	20,000
Total non-current liabilities		**102,759**	75,565	76,037
Current liabilities				
Trade and other payables		**2,463**	3,596	2,552
Total current liabilities		**2,463**	3,596	2,552
Total liabilities		**105,222**	79,161	78,589
Total unitholders' funds and liabilities		**279,306**	238,233	251,019

For and on behalf of the Manager,
ING Medical Properties Limited

W G Thurston
Chairman
19 March 2008

P C Brook
Director

The notes on pages 8 to 31 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Income Statement

for the six months ended 31 December 2007 (unaudited)

	Note	Group (unaudited) Six months to 31 December 2007 $000s	Group (unaudited) Six months to 31 December 2006 $000s	Group (unaudited) Twelve months to 30 June 2007 $000s
Gross property income from rentals		10,472	9,670	19,328
Property expenses		(410)	(416)	(680)
Net property income		10,062	9,254	18,648
Administration expenses	15	1,221	1,458	2,534
Other income	16	(2)	(4)	(98)
Other expenses	16	130	62	1,917
Total expenses		1,349	1,516	4,353
Operating profit		8,713	7,738	14,295
Finance income/(expense)				
Finance income	17	1,903	730	1,882
Finance expense	17	(2,618)	(1,891)	(3,811)
		(715)	(1,161)	(1,929)
Other gains				
Revaluation gains on investment properties	5	-	1,596	14,530
Profit before tax		7,998	8,173	26,896
Taxation	18	2,673	3,007	3,319
Profit for the period attributable to unitholders of the Trust		5,325	5,166	23,577
Earnings per share				
Basic and diluted earnings per unit (cents)	20	3.81	3.72	17.00

The notes on pages 8 to 31 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Statement of Changes in Unitholders' Funds

for the six months ended 31 December 2007 (unaudited)

	Share capital $000s	Foreign currency translation reserve $000s	Retained earnings $000s	Total $000s
For the six months ended 31 December 2007 (unaudited)				
Unitholders' funds at the beginning of the period	148,295	(1,156)	25,291	172,430
Profit for the period	-	-	5,325	5,325
Total recognised income and expense for the period	-	-	5,325	5,325
Change in foreign currency translation reserve	-	1,502	-	1,502
Distributions to unitholders				
Distributions to unitholders	-	-	(5,173)	(5,173)
Unitholders' funds at the end of the period	148,295	346	25,443	174,084
For the six months ended 31 December 2006 (unaudited)				
Unitholders' funds at the beginning of the period	147,035	1,827	12,956	161,818
Profit for the period	-	-	5,166	5,166
Total recognised income and expense for the period	-	-	5,166	5,166
Change in foreign currency translation reserve	-	(2,233)	-	(2,233)
Distributions to unitholders				
Distributions to unitholders	-	-	(5,679)	(5,679)
Unitholders' funds at the end of the period	147,035	(406)	12,443	159,072
For the year ended 30 June 2007 (unaudited)				
Unitholders' funds at the beginning of the year	147,035	1,827	12,956	161,818
Profit for the year	-	-	23,577	23,577
Total recognised income and expense for the year	-	-	23,577	23,577
Change in foreign currency translation reserve	-	(2,983)	-	(2,983)
Contributions by unitholders				
Units issued to satisfy Manager's incentive fee	1,260	-	-	1,260
Distributions to unitholders				
Distributions to unitholders	-	-	(11,242)	(11,242)
Unitholders' funds at the end of the year	148,295	(1,156)	25,291	172,430

The notes on pages 8 to 31 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Statement of Cash Flows

for the six months ended 31 December 2007 (unaudited)

	Note	Group (unaudited) Six months to 31 December 2007 $000s	Group (unaudited) Six months to 31 December 2006 $000s	Group (unaudited) Twelve months to 30 June 2007 $000s
Cash flows from operating activities				
Cash was provided from:				
Receipts from tenants		**9,824**	10,332	20,244
Interest received		**427**	264	479
Other income		**-**	4	12
Dividends received from investments		**-**	-	160
Cash was applied to:				
Payments to supplier		**(1,397)**	(1,778)	(3,776)
Net income tax paid		**(1,377)**	(10)	(1,402)
Interest paid		**(2,592)**	(1,845)	(3,694)
Net goods and services tax paid		**-**	(7)	-
Net cash flows from operating activities	19	**4,885**	6,960	12,023
Cash flows used in investing activities				
Cash was provided from:				
Loan advances		**762**	31	61
Sale of investment properties		**-**	-	282
Sale of investments		**-**	-	1,279
Reimbursement of property and investment evaluation costs		**-**	-	36
Cash was applied to:				
Purchase of and costs capitalised to investments		**(23,239)**	(342)	-
Capital expenditure on investment properties		**(253)**	(1,217)	(5,622)
Capitalisation of interest		**-**	(18)	(18)
Property acquisition and investment evaluation costs		**(283)**	(314)	-
Net cash flows used in investing activities		**(23,013)**	(1,860)	(3,982)
Cash flows from (used in) financing activities				
Cash was provided from:				
Debt drawdown		**28,704**	7,086	19,069
Cash was applied to:				
Repayment of debt		**(5,324)**	(5,291)	(15,396)
Distributions paid		**(5,173)**	(5,701)	(11,267)
Net cash flows from (used in) financing activities		**18,207**	(3,906)	(7,594)
Net increase in cash and cash equivalents		**79**	1,194	447
Effect of exchange rate changes on cash and cash equivalents		**(27)**	-	27
Cash and cash equivalents at the beginning of the period		**1,401**	927	927
Cash and cash equivalents at the end of the period		**1,453**	2,121	1,401

The notes on pages 8 to 31 form part of and are to be read in conjunction with these interim financial statements.

Notes to the Consolidated Interim Financial Statements

1. General information

ING Medical Properties Trust (the "Trust") is a unit trust established under the Unit Trust Act 1960 by a Trust Deed dated 11 February 1994 which was amended and replaced by Deed of Trust dated 1 September 1999 and which was subsequently amended by Deeds of Amendments dated 10 November 2003, 12 November 2007 and 12 December 2007. The Trust is an issuer under the Financial Reporting Act 1993. The Trust is incorporated and domiciled in New Zealand.

The Trust's principal activity is investment in high quality "Health Sector" related properties. The Trust is managed by ING Medical Properties Limited (the "Manager") which is owned by ING Property Trust Management Limited.

These condensed consolidated interim financial statements include those of the Trust and its controlled subsidiaries (the "Group").

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

These condensed consolidated interim financial statements were approved by the Board of Directors of the Manager on 19 March 2008.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with NZ IAS 34 *Interim Financial Reporting* and are covered by NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* ("NZ IFRS") because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ended 30 June 2008. The accounting policies applied in these condensed consolidated interim financial statements comply with NZ IFRS and New Zealand International Financial Reporting Interpretations Committee interpretations issued and effective at the time of preparing these statements (February 2008) as applicable to the Trust as a profit-orientated entity. Compliance with NZ IFRS ensures that the condensed consolidated interim financial statements also comply with International Financial Reporting Standards.

The preparation of the condensed consolidated interim financial statements in accordance with NZ IAS 34 resulted in changes in the accounting policies as compared with the most recent annual financial statements prepared under previous NZ GAAP. The accounting policies described below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing an opening NZ IFRS Balance Sheet at 1 July 2006 for the purposes of transition to NZ IFRS. Reconciliations and description of the effect of the transition from previous NZ GAAP to NZ IFRS on the Group's equity and its net income and cash flows are provided in note 25.

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

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

- Note 5 – valuation of investment property
- Note 6 – valuation of financial instruments

The extended disclosure requirements of NZ IFRS 7 *Financial Instruments* which is effective for fiscal years beginning on or after 1 January 2007 will be presented in full in the consolidated financial statements for the year ended 30 June 2008.

The Trust has early adopted the January 2008 amendment to NZ IAS 32 *Financial Instruments: Presentation*. The Trust does not expect any changes between the January and February amendments.

The Trust has also early adopted NZ IFRS 8 *Operating Segments*.

3. Significant accounting policies

Basis of consolidation

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

The Trust's subsidiaries are:

- ING Medical Australian Properties Trust;
- CHPT No.1 Limited; and
- Colma Services Limited.

Property, plant and equipment

Recognition and measurement

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

Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property.

Investment property

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

Prior to 1 July 2007, investment properties were initially recorded at cost (including acquisition costs, if any). In each subsequent year the properties were stated at net current value (current value as determined by an independent registered valuer), less an allowance for disposal costs. Any unrealised increases or decreases in the value of the properties was taken to the Income Statement and subsequently transferred to the revaluation reserve.

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

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

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in the Income Statement in the financial period of derecognition.

3. Significant accounting policies (cont.)

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the Income Statement, any directly attributable transaction costs.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and other payables

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

Bank borrowings

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

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

Derivative financial instruments

Prior to 1 July 2006

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 Income Statement.

From 1 July 2006

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are remeasured at their fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised immediately in the Income Statement.

The derecognition of derivative financial instruments takes place when the Trust no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all cash flows attributable to the instrument are passed through to an independent third party.

Fair value estimation

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

Recognition of income

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

Finance income and expenses

Finance income comprises interest income and gains on hedging instruments that are recognised in the Income Statement.

Finance expenses comprise interest expense on borrowings and losses on hedging instruments that are recognised in the Income Statement. All borrowing costs are recognised in the Income Statement using the effective interest method.

Taxation

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in unitholders' funds, in which case it is recognised in unitholders' funds.

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

Deferred tax

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

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

Operating lease commitments

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

Establishment, capital raising and listing costs

Establishment, capital raising and listing costs, such as legal fees for preparing the Trust Deed, Listing Profile, Prospectus, underwriting fees and brokerage are deducted from unitholders' funds as permitted by the Trust Deed.

Foreign operations

On consolidation the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in the foreign currency translation reserve and recognised in the Income Statement on disposal of the foreign operation.

Share-based payments

In accordance with the Trust Deed a manager's incentive fee is payable annually and satisfied by issue of shares in the following financial year. The per unit pricing for the issue of the units is the weighted average of the prices at which units were sold through the NZX during the five business days immediately preceding the last day of the financial year. Such units when issued shall rank pari passu with all other units. The payment is recognised in other expenses in the Income Statement.

Goods and service tax

The Income Statement and Statement of Cash Flows have been prepared so that all components are stated exclusive of goods and services tax ("GST") to the extent that GST is recoverable. All items in the Balance Sheet are stated net of GST with the exception of receivables and payables, which include GST invoiced. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

Segmental reporting

The Group's principal business is to invest in high quality "Health Sector" related properties. The Group operates in this segment only.

4. Financial risk management

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

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The significant interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The Group does not apply hedge accounting to its derivative transactions. Any gains or losses arising on revaluation of derivatives are recognised immediately in the Income Statement. The Group does not use derivative financial instruments for speculative purposes.

(i) Credit risk

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

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain between 50% and 100% of its borrowings in fixed rate instruments. As at 31 December 2007, 94% of borrowings were at fixed rates.

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

(iii) Liquidity risk

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

(iv) Currency risk

Currency risk is the risk that amounts receivable or payable in foreign currencies will change due to movements in exchange rates. The Group's exposure to currency risk is in relation to its borrowing in Australian currency. The revaluation of the Group's borrowings in AUD at closing exchange rates is offset by the revaluation of the investment the Trust holds in its Australian subsidiary.

5. Investment properties

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Fair value of investment property			
Balance at the beginning of the period			
Fair value of investment properties	**240,124**	228,638	228,638
Lease incentives	**2,324**	2,572	2,572
	242,448	231,210	231,210
Acquisition of properties	**23,309**	-	3,201
Capitalised costs	**487**	1,594	1,750
Translation difference	**3,605**	(6,692)	(8,102)
Change in fair value (refer to note 19)	**-**	1,596	14,530
Amortisation of lease incentives	**(79)**	(77)	(151)
Capitalisation of lease incentives	**75**	-	-
Reclassification of lease incentives to other non-current assets	**-**	10	10
Balance at the end of the period	**269,845**	227,641	242,448
Balance at the beginning of the period	**242,448**	231,210	231,210

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

Valuation of investment properties

The Trust Deed requires that no individual property be valued by the same valuer (or any member of their company) for more than two consecutive years. All investment properties are independently valued on an annual basis as at 30 June (valued either as at 31 December or as at 30 June prior to 31 December 2007). The valuations were prepared by independent registered valuers as detailed below:

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
DTZ New Zealand Limited	**26,993**	26,370	26,890
Colliers International New Zealand Limited	**22,335**	99,186	22,250
Colliers International Consultancy and Valuation Pty Limited	**-**	82,117	-
C B Richard Ellis Limited	**102,480**	19,968	102,376
C B Richard Ellis Pty Limited	**91,400**	-	87,730
Properties valued at cost	**26,637**	-	3,202
	269,845	227,641	242,448

6. Derivative financial instruments

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Non-current asset			
Interest rate swaps – held for trading	**2,705**	764	1,405
Non-current liability			
Interest rate swaps – held for trading	**-**	-	8
Nominal value of interest rate swaps ($000s) (31 December 2007: AUD66,500; 31 December 2006: AUD45,000; 30 June 2007: AUD46,500)	**75,876**	50,302	51,065
Average fixed interest rate	**6.78%**	5.99%	6.12%
Floating rates based on NZD bank bill rate	**8.38%-9.17%**	7.48%-7.81%	6.76%-8.71%

7. Other non-current assets

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Deferred settlement	**-**	4,325	4,325
Property acquisition and investment evaluation costs	**87**	759	101
Loan advances	**132**	143	134
Other	**10**	13	11
Total other non-current assets	**229**	5,240	4,571

8. Investments

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Investment in Ascot Radiology Limited	**-**	1,199	-

The Trust held a 20% equity interest in Ascot Radiology Limited through its subsidiary CHPT No.1 Limited. The investment was classified as held for trading and was recorded at fair value with any change in fair value recorded in the Income Statement. In June 2007 the Trust sold its interest for the cash sum of $1,285,000, recording a gain on sale of $86,008.

9. Other current assets

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Deferred settlement	4,325	-	-
Loan advances	12	766	766
Other	1	-	-
Total other current assets	4,338	766	766

10. Units on issue

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Balance at the beginning of the period	148,295	147,035	147,035
Issue of units to satisfy Manager's incentive fee	-	-	1,260
Balance at the end of the period	148,295	147,035	148,295
		Number of units on issue	
Units on issue	139,065	138,317	138,317
Issue of units to satisfy Manager's incentive fee	945	748	748
Balance at the end of the period	140,010	139,065	139,065

In accordance with the terms of the Trust Deed an incentive fee equal to 10% of the average annual increase in the Gross Value of the Trust Fund over the relevant financial year and the two preceding financial years is payable to the Manager, settlement being by way of issue of new units to the Manager. The issue price of the units is based on the weighted average of the unit price sold through the NZX during the five day period immediately preceding the last day of the relevant financial year.

Subsequent to 30 June 2007, 944,568 units were issued against the Manager's incentive fee of $1,259,960.

11. Foreign currency translation reserve

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Balance at the beginning of the period	(1,156)	1,827	1,827
Translation of independent foreign operations	1,502	(2,233)	(2,983)
Balance at the end of the period	346	(406)	(1,156)

12. Retained earnings

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Balance at the beginning of the period	**25,291**	12,956	12,956
Profit for the period	**5,325**	5,166	23,577
Distributions to unitholders	**(5,173)**	(5,679)	(11,242)
Balance at the end of the period	**25,443**	12,443	25,291

13. Borrowings

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
ANZ National Bank Limited	**81,144**	55,279	56,029

The Group has borrowings from the ANZ National Bank Limited in New Zealand and Australia. The NZD100,000,000 facility is a two-year multi-currency revolving credit facility (31 December 2006: NZD75,000,000; 30 June 2007: NZD75,000,000).

Borrowings are secured by first ranking mortgages over the respective investment properties by a General Security Deed over the assets and undertakings of CHPT No.1 Limited and fixed and floating charges over the assets and undertakings of ING Medical Australian Properties Pty Limited, as trustee for ING Medical Australian Properties Trust.

The effective interest rate on the borrowings as at 31 December 2007 was 6.78% per annum including margin (31 December 2006: 5.99%; 30 June 2007: 6.12%).

14. Deferred tax

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

	Interest rate swaps $000s	Buildings $000s	Other $000s	Total $000s
Balance at 1 July 2007	**419**	**20,419**	**(838)**	**20,000**
Charge to the Income Statement for the period (refer to note 18)	**381**	**901**	**178**	**1,460**
Change in exchange rate	**11**	**178**	**(34)**	**155**
Balance at 31 December 2007 (unaudited)	**811**	**21,498**	**(694)**	**21,615**
Balance at 1 July 2006	108	20,402	(1,903)	18,607
Charge to the Income Statement for the period (refer to note 18)	140	1,348	416	1,904
Change in exchange rate	(19)	(349)	143	(225)
Balance at 31 December 2006 (unaudited)	229	21,401	(1,344)	20,286
Balance at 1 July 2006	108	20,402	(1,903)	18,607
Charge to the Income Statement for the period (refer to note 18)	335	212	911	1,458
Change in exchange rate	(24)	(195)	154	(65)
Balance at 30 June 2007 (unaudited)	419	20,419	(838)	20,000

15. Administration expenses

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
The following items of expenditure are included in administration expenses:			
Audit fees paid to principal auditors	**42**	24	63
Fees for other services provided by auditor	**9**	16	32
Manager's fees	**966**	895	1,795
Property acquisition and investment evaluation costs	**5**	380	417
Registry fees	**95**	28	45
Trustee's fees	**77**	76	153
Unitholder communication costs	**27**	39	29
	1,221	1,458	2,534

16. Other (income)/expenses

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Income			
Other income	**(2)**	(4)	(12)
Gain on sale of equity investments	**-**	-	(86)
	(2)	(4)	(98)
Expenses			
Takeover costs in relation to ING bid	**-**	-	519
Manager's incentive fee	**-**	-	1,260
Other operating expenses	**130**	62	138
	130	62	1,917

17. Finance income/(expenses)

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Income			
Interest income	**426**	264	479
Dividends received	**-**	-	160
Unrealised foreign exchange gain	**207**	-	128
Interest rate swaps – held for trading	**1,270**	466	1,115
	1,903	730	1,882
Expense			
Interest expense	**(2,618)**	(1,891)	(3,811)
	(2,618)	(1,891)	(3,811)

18. Taxation

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Profit before tax	7,998	8,173	26,896
Taxation charge (33%)	2,639	2,697	8,876
Effect of tax rates in foreign jurisdictions	(82)	37	(303)
Deferred tax adjustment due to change in corporate tax rate	(60)	-	(488)
Timing differences recognised in deferred tax	(48)	273	(3,746)
Deferred tax on Australian losses carried forward	226	-	(1,155)
Non-deductible expenses	-	-	218
Over provided in prior periods	-	-	(75)
Other	(2)	-	(8)
Taxation charge	2,673	3,007	3,319
The taxation charge is made up as follows:			
Current taxation	1,213	1,103	1,861
Deferred taxation (refer to note 14)	1,460	1,904	1,458
Total taxation charge	2,673	3,007	3,319
Imputation credits			
Balance at the beginning of the period	546	826	826
New Zealand tax payments, net of refunds	967	-	1,380
Imputation credits attached to dividends received	-	-	79
Imputation credits attached to dividends paid	(1,666)	(777)	(1,739)
Balance at the end of the period	(153)	49	546

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

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Profit for the period	5,325	5,166	23,577
Adjustments for non-cash items			
Change in fair value of investment properties (refer to note 5)	-	(1,596)	(14,530)
Fair value gains on derivative financial instruments (refer to note 17)	(1,270)	(466)	(1,115)
Property acquisition and investment evaluation costs	-	380	380
Write-off capitalised property assets	-	118	118
Gain on sale of investment	-	-	(86)
Unrealised foreign exchange gain (refer to note 17)	(207)	-	(128)
Effect of exchange rate changes on cash balances	27	-	(27)
Loan interest	-	8	-
Operating cash flow before changes in working capital	3,875	3,610	8,189
Change in trade and other payables	36	(414)	(281)
Change in tax provision and deferred tax	1,296	2,996	3,177
Change in trade and other receivables	(322)	768	938
Net cash flows from operating activities	4,885	6,960	12,023

20. Earnings per unit

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

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Profit for the period	**5,325**	5,166	23,577
Basic earnings per unit (cents)	**3.81**	3.72	17.00
Weighted average number of ordinary units			
Issued units at the beginning of the period (refer to note 10)	**139,065**	138,317	138,317
Issued units at the end of the period (refer to note 10)	**140,010**	139,065	139,065
Weighed average number of ordinary units	**139,635**	138,953	139,009

21. Related party transactions

The Manager is related to the Trust and its subsidiaries as the manager of the Trust.

Other related parties by virtue of common ownership and/or ownership and/or directorship to the Manager of the Trust include ING (NZ) Limited and ING Medical Australian Properties Pty Limited.

Transactions with related parties include:

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Costs included in the Income Statement			
Management fees paid	**966**	895	1,795
Manager's incentive fee	**-**	-	1,260
Expenses charged by ING Medical Properties Limited	**34**	237	96
Expenses charged by ING Medical Australian Properties Pty Limited	**-**	-	2
Expenses charged by ING (NZ) Limited	**90**	-	115
	1,090	1,132	3,268

Expenses charged by related parties include salary, computer equipment purchase recovery and other property related costs.

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Expenses capitalised to projects			
ING Medical Properties Limited	**230**	-	8
	230	-	8

22. Commitments

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Capital commitments			
The Group was party to contracts to purchase or construct property for the following amounts:	**22,500**	2,716	22,021

As at December 2006 the Group was contracted to purchase land for development. As at 30 June 2007 the Group was committed to capital expenditure on the Ascot Central development, a five-level building that is being constructed on land formerly owned by the Trust adjacent to Ascot Hospital.

	Group (unaudited) 31 December 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2007 $000s
Lease commitments			
CHPT No.1 Limited has non-cancellable operating lease rentals which are payable as follows:			
Within one year	**138**	133	134
More than one year and less than five years	**578**	567	574
More than five years	**1,010**	1,160	1,085
	1,726	1,860	1,793

These operating lease rentals relate to a ground lease from the Auckland Racing Club on the rear carpark at Ascot Hospital.

23. Contingencies

There were no contingencies as at 31 December 2007 (31 December 2006: nil; 30 June 2007: nil).

24. Subsequent events

There were no subsequent events as at 31 December 2007.

25. Adoption of NZ IFRS

The Group's financial statements for the year ended 30 June 2008 will be the Group's first annual statements that comply with NZ IFRS.

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

- Deferred tax NZ IAS 12 *Income Taxes*
- Investment property NZ IAS 40 *Investment Property*
- Development property NZ IAS 16 *Property, Plant and Equipment*
- Properties intended for sale NZ IAS 40 *Investment Property*
- Initial direct costs and lease incentives NZ IAS 17 *Leases*
- Financial instruments NZ IAS 32 *Financial Instruments: Presentation* and NZ IAS 39 *Financial Instruments: Recognition and Measurement*
- Operating segments NZ IFRS 8 *Operating Segments*.

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

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

25. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of Balance Sheet

As at 1 July 2006 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Non-current assets				
Investment properties	a	224,293	6,917	231,210
Property, plant and equipment	b	345	(345)	-
Derivative financial instruments	c	-	430	430
Other non-current assets	d	7,959	(2,572)	5,387
Total non-current assets		232,597	4,430	237,027
Current assets				
Cash and cash equivalents		927	-	927
Trade and other receivables		843	-	843
Investments		1,199	-	1,199
Properties intended for sale	e	2,934	(2,934)	-
Other current assets		766	-	766
Taxation receivable		507	-	507
Total current assets		7,176	(2,934)	4,242
Total assets		239,773	1,496	241,269
Unitholders' funds				
Units on issue		147,035	-	147,035
Revaluation reserve	f	27,625	(27,625)	-
Foreign currency translation reserve	g	1,827	-	1,827
Retained earnings	h	2,512	10,444	12,956
Total unitholders' funds		178,999	(17,181)	161,818
Non-current liabilities				
Borrowings		57,951	-	57,951
Derivative financial instruments	c	-	70	70
Deferred tax	i	-	18,607	18,607
Total non-current liabilities		57,951	18,677	76,628
Current liabilities				
Trade and other payables		2,823	-	2,823
Total current liabilities		2,823	-	2,823
Total liabilities		60,774	18,677	79,451
Total unitholders' funds and liabilities		239,773	1,496	241,269

Reconciliation of Balance Sheet

As at 31 December 2006 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Non-current assets				
Investment properties	a	220,844	6,797	227,641
Derivative financial instruments	c	-	764	764
Other non-current assets	d	7,528	(2,288)	5,240
Total non-current assets		228,372	5,273	233,645
Current assets				
Cash and cash equivalents		2,121	-	2,121
Trade and other receivables	d	650	(148)	502
Investments		1,199	-	1,199
Properties intended for sale	e	3,153	(3,153)	-
Other current assets		766	-	766
Total current assets		7,889	(3,301)	4,588
Total assets		236,261	1,972	238,233
Unitholders' funds				
Units on issue		147,035	-	147,035
Revaluation reserve	f	29,005	(29,005)	-
Foreign currency translation reserve	g	(495)	89	(406)
Retained earnings	h	1,841	10,602	12,443
Total unitholders' funds		177,386	(18,314)	159,072
Non-current liabilities				
Borrowings		55,279	-	55,279
Deferred tax	i	-	20,286	20,286
Total non-current liabilities		55,279	20,286	75,565
Current liabilities				
Trade and other payables		3,596	-	3,596
Total current liabilities		3,596	-	3,596
Total liabilities		58,875	20,286	79,161
Total unitholders' funds and liabilities		236,261	1,972	238,233

Notes to the Consolidated Interim Financial Statements (cont.)

25. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS (cont.)

Reconciliation of Income Statement

For the six months ended 31 December 2006 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Gross property income from rentals		9,670	-	9,670
Property expenses		(416)	-	(416)
Net property income		9,254	-	9,254
Administration expenses		1,458	-	1,458
Other income		(4)	-	(4)
Other expenses		62	-	62
Total expenses		1,516	-	1,516
Operating profit		7,738	-	7,738
Financial income/(expense)				
Finance income	c	264	466	730
Finance expense		(1,891)	-	(1,891)
		(1,627)	466	(1,161)
Other gains				
Revaluation gains on investment property	a	-	1,596	1,596
Profit before tax		6,111	2,062	8,173
Taxation	i	1,103	1,904	3,007
Profit for the period	j	5,008	158	5,166

Reconciliation of Statement of Cash Flows

For the six months ended 31 December 2006 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Profit for the period	j	5,008	158	5,166
Adjustments for non-cash items				
Change in fair value of investment properties		-	(1,596)	(1,596)
Fair value gains on derivative financial instruments		-	(466)	(466)
Property acquisition and investment evaluation costs		380	-	380
Write-off capitalised property assets		118	-	118
Loan interest		8	-	8
Operating cash flow before changes in working capital		5,514	(1,904)	3,610
Change in trade and other payables		(414)	-	(414)
Change in tax provision and deferred tax		1,092	1,904	2,996
Change in trade and other receivables		768	-	768
Net cash flows from operating activities		6,960	-	6,960
Net cash flows used in investing activities		(1,860)	-	(1,860)
Net cash flows used in financing activities		(3,906)	-	(3,906)
Net increase in cash and cash equivalents		1,194	-	1,194

Reconciliation of Balance Sheet

As at 30 June 2007 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Non-current assets				
Investment properties	a	235,861	6,587	242,448
Property, plant and equipment	b	2,936	(2,936)	-
Derivative financial instruments	c	-	1,405	1,405
Other non-current assets	d	6,749	(2,178)	4,571
Total non-current assets		245,546	2,878	248,424
Current assets				
Cash and cash equivalents		1,401	-	1,401
Trade and other receivables	d	573	(145)	428
Other current assets		766	-	766
Total current assets		2,740	(145)	2,595
Total assets		248,286	2,733	251,019
Unitholders' funds				
Units on issue		148,295	-	148,295
Revaluation reserve	f	40,898	(40,898)	-
Foreign currency translation reserve	g	(992)	(164)	(1,156)
Retained earnings	h	1,504	23,787	25,291
Total unitholders' funds		189,705	(17,275)	172,430
Non-current liabilities				
Borrowings		56,029	-	56,029
Derivative financial instruments	c	-	8	8
Deferred tax	i	-	20,000	20,000
Total non-current liabilities		56,029	20,008	76,037
Current liabilities				
Trade and other payables		2,552	-	2,552
Total current liabilities		2,552	-	2,552
Total liabilities		58,581	20,008	78,589
Total unitholders' funds and liabilities		248,286	2,733	251,019

25. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS (cont.)

Reconciliation of Income Statement

For the year ended 30 June 2007 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Gross property income from rentals		19,328	-	19,328
Property expenses		(680)	-	(680)
Net property income		18,648	-	18,648
Administration expenses		2,534	-	2,534
Other income		(98)	-	(98)
Other expenses		657	1,260	1,917
Total expenses		3,093	1,260	4,353
Operating profit		15,555	(1,260)	14,295
Financial income/(expense)				
Finance income	c	767	1,115	1,882
Finance expense		(3,811)	-	(3,811)
		(3,044)	1,115	(1,929)
Other gains				
Revaluation gains on investment property	a	-	14,530	14,530
Profit before tax		12,511	14,385	26,896
Taxation	i	2,277	1,042	3,319
Profit for the period	j	10,234	13,343	23,577

Reconciliation of Statement of Cash Flows

For the year ended 30 June 2007 (unaudited)

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Profit for the period	j	10,234	13,343	23,577
Adjustments for non-cash items				
Change in fair value of investment properties		-	(14,530)	(14,530)
Fair value gains on derivative financial instruments		-	(1,115)	(1,115)
Property acquisition and investment evaluation costs		380	-	380
Write-off capitalised property assets		118	-	118
Gain on sale of investment		(86)	-	(86)
Unrealised foreign exchange gain		(128)	-	(128)
Effect of exchange rates changes on cash balances		(27)	-	(27)
Operating cash flow before changes in working capital		10,491	(2,302)	8,189
Change in trade and other payables		(281)	-	(281)
Change in tax provision and deferred tax		875	2,302	3,177
Change in trade and other receivables		938	-	938
Net cash flows from operating activities		12,023	-	12,023
Net cash flows used in investing activities		(3,982)	-	(3,982)
Net cash flows used in financing activities		(7,594)	-	(7,594)
Net increase in cash and cash equivalents		447	-	447

25. Adoption of NZ IFRS (cont.)

Explanatory notes

(a) Investment properties (refer to note 5)

	Notes	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Reversal of disposal provision [1]		3,899	3,780	3,638
Reclassification of properties intended for sale	e	-	3,153	2,934
Reclassification of development property [2]	b	2,936	-	345
Reclassification of amortisation of capitalised lease incentive		(248)	(136)	-
Total impact – changes to investment properties		6,587	6,797	6,917
Total impact – Income Statement – gain	j	14,530	1,596	-

(1) Previously the fair value of investment properties were recorded net of a provision for disposal costs. Under NZ IFRS investment properties should be measured at fair value.

(2) Development properties are reported as property, plant and equipment and include only land and buildings being developed for future use as an investment property. Any existing investment properties being redeveloped for continued future use as investment property remains as investment property. Properties classified as development properties are being developed for continued future use and as such should be reclassified to investment properties.

(b) Property, plant and equipment

	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Investment property under development			
Reclassify to investment properties [1]	2,936	-	345
Total impact – changes to investment property under development	2,936	-	345

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

(c) Derivative financial instruments (refer to note 6)

	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Classified as non-current assets	1,405	764	430
Classified as non-current liabilities	(8)	-	(70)
Total impact – derivative financial instruments	1,397	764	360
Total impact – Income Statement – gain	1,115	466	-

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

(d) Reclassify lease incentives to investment properties

	Notes	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Reclassify from non-current assets		2,178	2,288	2,572
Reclassify from trade and other receivables		146	148	-
Total impact – investment properties (refer to note 5)	a	2,324	2,436	2,572

Lease incentives were recorded as non-current assets and trade and other receivables. Under NZ IFRS they form part of the value of investment properties.

(e) Reclassify properties intended for sale to investment properties

	Notes	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Properties intended for sale reclassified to investment property	a	-	3,153	2,934

(f) Revaluation reserve

	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Balance of revaluation reserve transferred to retained earnings	40,898	29,005	27,625

Under NZ IFRS the revaluation reserve relates solely to revaluations of property, plant and equipment. Revaluations of investment property are debited/credited in the Income Statement and form part of retained earnings.

25. Adoption of NZ IFRS (cont.)

Explanatory notes (cont.)

(g) Foreign currency translation reserve (refer to note 11)

The foreign currency translation reserve is the result of translating the balances of AUD subsidiaries into NZD at the closing exchange rate and the Income Statement at the average exchange rate for the period. NZ IFRS adjustments to AUD balances have an impact on the foreign currency translation reserve as identified below:

	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Revaluation of investment properties	(151)	(74)	-
Derivative financial instruments	(54)	(43)	-
Deferred tax on revaluations of investment properties	195	349	-
Deferred tax on Australian losses carried forward	(122)	(107)	-
Deferred tax on Australian timing differences	(32)	(36)	-
Total impact – foreign currency translation reserve	(164)	89	-

(h) Retained earnings (refer to note 12)

	Notes	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Transfer from revaluation reserve	f	27,625	27,625	27,625
Reversal of opening disposal provision	a	3,638	3,638	3,638
Derivative financial instruments – opening adjustment		252	252	252
Deferred tax on revaluation of New Zealand investment properties	i	(16,259)	(16,259)	(16,259)
Deferred tax on revaluation of Australian investment properties	i	(4,143)	(4,143)	(4,143)
Deferred tax on losses carried forward	i	1,382	1,382	1,382
Deferred tax on Australian timing differences		556	556	556
Deferred tax on New Zealand timing differences		(35)	(35)	(35)
Profit effect of adjustments	j	13,343	158	-
Reversal of opening lease incentives		(2,572)	(2,572)	(2,572)
Total impact – retained earnings		23,787	10,602	10,444

(i) Deferred tax (refer to note 14)

The above changes increased/(decreased) deferred tax as follows based on a tax rate of either 33% or 30% for New Zealand entities and 30% for Australian entities.

	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Revaluation of investment property – New Zealand	15,818	17,358	16,259
Revaluation of investment property – Australia	4,601	4,043	4,143
Deferred tax on tax losses carried forward	(907)	(1,096)	(1,382)
Deferred tax on derivative financial instruments	419	229	108
Timing differences – New Zealand	25	30	35
Timing differences – Australia	44	(278)	(556)
Total impact – deferred tax	20,000	20,286	18,607
Total impact – Income Statement – loss	1,042	1,904	-

(j) Income Statement

	Notes	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Revaluation of investment properties	a	14,530	1,596	-
Share-based payments – Manager's incentive fee	k	(1,260)	-	-
Gain on derivative trading – finance expense		1,115	466	-
Taxation	i	14,385	2,062	-
Derivative financial instruments		(335)	(140)	-
Revaluation of investment properties		(212)	(1,348)	-
Tax losses carried forward		(353)	(179)	-
Tax on Manager's incentive fee	k	416	-	-
Timing differences – New Zealand		10	5	-
Timing differences – Australia		(568)	(242)	-
		(1,042)	(1,904)	-
Total impact – Income Statement		13,343	158	-

(k) Share-based payments

	Notes	Group (unaudited) 30 June 2007 $000s	Group (unaudited) 31 December 2006 $000s	Group (unaudited) 30 June 2006 $000s
Manager's incentive fee paid	j	1,260	-	-
Revaluation of investment property		(844)	-	-
Tax expense	j	(416)	-	-
Total impact – Income Statement		-	-	-

The Manager's incentive fee is considered to be a share-based payment. Previously it had been debited to the revaluation reserve net of income tax. The movement in the revaluation reserve has been reclassified to the Income Statement as part of the NZ IFRS adjustments (refer to explanatory note f). The result therefore is a reclassification between the revaluation of investment property, Manager's incentive fee and tax paid amounts within the Income Statement.

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