ING Medical Properties Trust

Interim Report as at 31 December 2009

www.ingmedicalproperties.co.nz

Cover »
Ascot Hospital & Clinics,
Greenlane, Auckland

This page »
Napier Health Centre,
Napier

ING Medical Properties Limited (the 'Manager'), which is wholly owned by ANZ National Bank Limited, is the manager of the ING Medical Properties Trust (the 'Trust'). The Manager and the Trust have a licence from ING Corporate Services Pty Limited enabling them and related companies of the Manager to use the ING brand and certain trademarks owned by ING Group or its subsidiaries while transitioning to a new brand, which is expected to be by the end of 2010.

Highlights

15.3%
Increase in half year operating profit

100%
Tenant retention rate

99.0%
Portfolio occupancy

<1.4%
Lease expiry profile for the six months to 30 June 2010

18.5%
12 month total return

2.3%
Lease expiry profile for the 12 months to 30 June 2011

<700 m^2
Available for lease throughout the total portfolio

17
Rent reviews completed

8.5 year
Sector-leading weighted average lease term

5.04%
Average rent review increase

Contents

ING Medical Properties Trust reported an unaudited interim operating profit before tax of $6.76m for the six months ended 31 December 2009, a 15.3% increase on the same period to 31 December 2008.

In addition to the increased interim operating profit the Trust produced a sound 12 month total return to unitholders of 18.5%, comparing favourably to the NZX Gross Property Index which had a total return of 12.9% for the same period. The Trust remains the top performing New Zealand Listed Property entity on a total return basis over three and five year periods, according to Forsyth Barr research.

The strong interim result is a reflection of the clearly articulated direction and delivery of the Trust's strategy over recent years. The Trust's defensive and diversified medical and healthcare asset class now has a proven performance record in a sector where a clear investment appetite exists for a differentiated real estate investment product.

At the heart of the Trust's performance and stability are the core portfolio metrics that continued to remain resilient during and after the impact of the global financial crisis. Large parts of the commercial property sector are now facing the impact of the lag effect of the global financial crisis, with increasing vacancy levels and downward pressure on rents. Conversely, due to the underlying demographics supporting medical and healthcare sector growth trends, the impact of this lag effect is not as prevalent in the Trust's activities to date where for example, portfolio occupancy levels have increased by over 2.5% on a year ago, with occupancy now at 99%.

While the Government's proposed tax reforms announced in February did not include land tax and capital gains tax, the potential for the removal of building depreciation remains a concern. Fortunately for the Trust, approximately one third of its portfolio is in Australia so the impact of eliminating depreciation will be diminished for the Trust.

However the Board and the Manager must also be mindful of the likely negative effect it will have on the Trust's tenants, and unitholders. Also of real concern is the further isolation of New Zealand from the already highly competitive global markets for offshore capital and business investment, which is essential in supporting economic growth in New Zealand.

The Trust remains the top performing New Zealand Listed Property entity on a total return basis over three and five year periods, according to Forsyth Barr research.

The Trust remains well positioned to actively consider opportunities in the sector in both New Zealand and Australia.

Below » Hibiscus Coast Community Health Centre.

It is possible that denying depreciation on medical and healthcare property assets could impact on all private sector investment in healthcare infrastructure in New Zealand. As a result we may see increased margins and thresholds for investment returns in order to offset the net tax cost, which unfortunately would likely be passed through to the healthcare sector operators and ultimately their patients and clients.

Notwithstanding the potential impact of these external influences, the Trust remains well positioned to actively consider opportunities in the sector in both New Zealand and Australia. Of particular interest are strategic acquisitions that continue to enhance the Trust's scale and diversification. Any opportunities will be rigidly assessed against key criteria and will be expected to align with the Trust's strategy and enhance unitholder returns.

Financial performance

Gross rental income for the period was $12.36m (2008: $11.79m), an increase of 4.9% on the prior period. The Trust's operating profit before tax was up 15.3% to $6.76m (2008: $5.87m) primarily as a result of increased rental income as occupancy levels improved over the period and reduced interest expense as a result of lower interest rates.

Mark-to-market adjustments on interest rate hedges and foreign currency positions are made in accordance with International Financial Reporting Standards. The Trust has reported a net operating profit after tax of \$6.78m (2008: loss of \$2.8m) for the period partly due to an unrealised foreign exchange gain of \$0.39m (2008: gain of \$4.7m) plus an unrealised interest rate swap gain of \$1.75m (2008: loss of \$15.7m). The accounting treatment of these unrealised items has no effect on the Trust's cash distributions to unitholders.

Divestments
Following the settlement of the sale of two of the Trust's non-core, lower value assets last year the Board continues to consider divestment opportunities of similar non strategic assets. The net proceeds from the two asset sales have been applied to reduce bank debt, with the Trust's debt-to-total-assets ratio at 34.0% as at 31 December 2009, in line with the listed property sector average of 33.9% according to Forsyth Barr research.

Revaluations
As a result of the relative stabilisation in capitalisation rates over the latter part of 2009, in addition to the defensive overall position of the Trust properties, the Board does not consider that there has been any material movement in the current market value of the Trust's assets as at 31 December 2009. On that basis the Board formed the view that revaluations will not be commissioned for the half year results. The Manager will however shortly instruct independent external valuation firms to undertake current market valuations of the Trust's total portfolio as at 30 June 2010.

Communications
Unitholder communications remain a key focus. The newsletter will continue to be published twice a year and the annual investor roadshow is scheduled to be held in May 2010 throughout the country. Further information about the roadshow, including dates and venues, is included with this report.

Unitholders also now have the opportunity to elect to receive reports and publications from the Trust electronically, with this interim report being the first of the Trust's publications sent via email to unitholders who have requested this option.

If you are interested in receiving communications from the Trust via email, please contact Bridget Spraggon, Marketing and Communications Manager, on 0800 225 264 for more information.

At the heart of the Trust's performance and stability are the core portfolio metrics that continued to remain resilient during and after the impact of the global financial crisis.

The strength of the tenant covenants, consistent rental growth, low risk lease expiry profile and overall portfolio diversification are key facets of the Trust's future underlying stability.

Below » 188 Specialist Centre, Eastmed, St Heliers, Auckland.

Outlook

The Trust remains resiliently positioned to confront any ongoing economic or financial market hangover resulting from the global financial crisis. The strength of the tenant covenants, consistent rental growth, low risk lease expiry profile and overall portfolio diversification are key facets of the Trust's future underlying stability. In addition, the Trust currently has no speculative land holdings or development risk within the portfolio.

It is this foundation that will facilitate the growth and diversification of the Trust when key strategic opportunities arise in what remains a competitive and tightly held investment market for assets of similar quality to the Trust's.

Reconciliation of operating profit

	HY2010 $000s	HY2009 $000s	
Profit/(loss) before income tax	**8,896**	(5,211)	
Deduct/(add back):			
Unrealised foreign exchange gain	**388**	4,658	
Unrealised revaluation gain/(loss) on Interest rate swaps	**1,748**	(15,734)	
Operating profit	**6,760**	5,865	15.26%
Realised loss on sale of properties	**14**	Nil	
Gross distributable income	**6,774**	5,865	

Interim Financial Statements

as at
31 December 2009

Below » Apollo Health & Wellness Centre, Albany, Auckland.

Condensed Consolidated Interim Statement of Financial Position

As at 31 December 2009 (unaudited)

	Note	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s	Group (audited) 30 June 2009 $000s
Non-current assets				
Investment properties	4	**286,354**	293,723	286,227
Other non-current assets		**878**	948	961
Total non-current assets		**287,232**	294,671	287,188
Current assets				
Cash and cash equivalents		**706**	807	940
Trade and other receivables		**211**	672	653
Other current assets		**373**	83	342
Taxation receivable		**–**	906	114
		1,290	2,468	2,049
Non-current assets classified as held for sale		**–**	–	6,050
Total current assets		**1,290**	2,468	8,099
Total assets	3	**288,522**	297,139	295,287
Unitholders' funds				
Units on issue	6	**151,342**	149,623	150,516
Foreign currency translation reserve		**2,795**	(444)	3,078
Retained earnings		**5,470**	10,166	4,826
Total unitholders' funds		**159,607**	159,345	158,420
Non-current liabilities				
Borrowings	7	**98,074**	100,828	105,376
Derivative financial instruments	5	**3,405**	11,800	5,263
Deferred tax		**25,014**	23,139	23,746
Total non-current liabilities		**126,493**	135,767	134,385
Current liabilities				
Trade and other payables		**2,080**	1,968	2,482
Derivative financial instruments	5	**70**	59	–
Taxation payable		**272**	–	–
Total current liabilities		**2,422**	2,027	2,482
Total liabilities	3	**128,915**	137,794	136,867
Total unitholders' funds and liabilities		**288,522**	297,139	295,287

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

W G Thurston
Chairman
17 February 2010

P C Brook
Director

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 December 2009 (unaudited)

	Note	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Gross property income from rentals		12,361	11,787
Gross property income from expense recoveries		1,599	1,435
Property expenses		(1,916)	(1,889)
Net property income	3	12,044	11,333
Other income		2	3
Total income		12,046	11,336
Administration expenses		1,409	1,421
Other expenses		120	212
Total expenses before finance income/(expenses) and other gains/(losses)		1,529	1,633
Profit before financial income/(expenses) and other gains/(losses)		10,517	9,703
Financial income/(expense)			
Finance expense		(3,835)	(4,092)
Unrealised interest rate swaps gain/(loss)		1,748	(15,734)
Finance income		78	254
		(2,009)	(19,572)
Other gains/(losses)			
Unrealised foreign exchange gain		388	4,658
		388	4,658
Profit/(loss) before income tax		8,896	(5,211)
Taxation	8	2,120	(2,384)
Profit/(loss) for the period		6,776	(2,827)
Other comprehensive income			
Movement in foreign currency translation reserve		(283)	(4,216)
Total other comprehensive income/(loss) after tax		(283)	(4,216)
Total comprehensive income/(loss) after tax		6,493	(7,043)
All amounts are from continuing operations.			
Earnings per unit			
Basic and diluted earnings per unit – cents	10	4.77	(2.01)

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Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2009 (unaudited)

	Note	Units on issue $000s	Foreign currency translation reserve $000s	Retained earnings $000s	Total $000s
For the six months ended 31 December 2009 (unaudited)					
Unitholders' funds at the beginning of the period		**150,516**	**3,078**	**4,826**	**158,420**
(Loss)/profit for the period		–	–	6,776	6,776
Change in foreign currency translation reserve		–	(283)	–	(283)
Total recognised income and expense for the period		**–**	**(283)**	**6,776**	**6,493**
Contributions by and distributions to unitholders					
Units issued under the distribution reinvestment plan		830	–	–	830
Capitalised costs		(4)	–	–	(4)
Distributions to unitholders		–	–	(6,132)	(6,132)
Unitholders' funds at the end of the period	6	**151,342**	**2,795**	**5,470**	**159,607**
For the six months ended 31 December 2008 (unaudited)					
Unitholders' funds at the beginning of the period		149,173	3,772	19,087	172,032
(Loss)/profit for the period		–	–	(2,827)	(2,827)
Change in foreign currency translation reserve		–	(4,216)	–	(4,216)
Total recognised income and expense for the period		–	(4,216)	(2,827)	(7,043)
Contributions by and distributions to unitholders					
Minimum holding buyback		(5)	–	–	(5)
Units issued under the distribution reinvestment plan		474	–	–	474
Capitalised costs		(19)	–	–	(19)
Distributions to unitholders		–	–	(6,094)	(6,094)
Unitholders' funds at the end of the period	6	149,623	(444)	10,166	159,345

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2009 (unaudited)

	Note	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Cash flows from operating activities			
Cash was provided from:			
Property income		12,694	11,717
Interest received		78	254
Recovery of property expenses		1,558	1,435
Other income		2	3
Cash was applied to:			
Property expenses		(1,683)	(1,602)
Management and Trustee fees		(1,203)	(1,179)
Interest paid		(3,537)	(4,720)
Tax paid		(500)	(1)
Other trust expenses		(518)	(1,076)
Net cash from operating activities	9	6,891	4,831
Cash flows from investing activities			
Cash was provided from:			
Sale of investment properties		6,017	4,325
Cash was applied to:			
Capital expenditure on investment properties		(908)	(1,612)
Lease incentives		(333)	–
New lease costs		(127)	(33)
Disposal costs		(173)	–
Net cash from investing activities		4,476	2,680
Cash flows from financing activities			
Cash was provided from:			
Debt drawdown		11,940	46,155
Loan repayments from tenants		37	34
Cash was applied to:			
Repayment of debt		(18,369)	(48,057)
Units bought back and costs associated with distribution reinvestment plan		(4)	(24)
Distributions paid to unitholders		(5,208)	(5,620)
Net cash used in financing activities		(11,604)	(7,512)
Net increase/(decrease) in cash and cash equivalents		(237)	(1)
Effect of exchange rate changes on cash and cash equivalents		3	7
Cash and cash equivalents at the beginning of the period		940	801
Cash and cash equivalents at the end of the period		706	807

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Notes to the condensed 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, 12 December 2007 and 5 August 2008. 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 the 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 ("INGPTML"). The Manager is a wholly owned subsidiary of ANZ National Bank Limited.

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

These condensed consolidated interim financial statements were approved by the Board of Directors of the Manager on 17 February 2010.

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"). The accounting policies applied in these condensed consolidated interim financial statements comply with NZ IAS 34 Interim Financial Reporting and International Financial Reporting Interpretations Committee ("NZ IFRIC") interpretations issued and effective at the time of preparing these statements as applicable to the Trust as a profit-orientated entity. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

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

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

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. 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 financial statements are as follows:

Note 4 – valuation of investment property
Note 5 – valuation of derivative financial instruments
Note 9 – deferred tax

Change in accounting policies

The following new or amended accounting standards are mandatory for application at 31 December 2009. These condensed consolidation interim financial statements have been prepared under the revised disclosure requirements.

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

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

– 'Balance Sheet' becomes 'Statement of Financial Position'
– 'Income Statement' becomes part of the 'Statement of Comprehensive Income'
– 'Cash flow Statement ' becomes 'Statement of Cash Flows'

NZ IFRS 8 Operating Segments – NZ IFRS 8 replaces NZ IAS 14 Segment Reporting. Operating segments are required to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

3. SEGMENT INFORMATION

The Group operates in one industry sector, investing in high quality Health Sector related properties. The Group operates in both Australia and New Zealand. The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit	
	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Australia	**4,196**	4,001	**3,679**	3,576
New Zealand	**9,764**	9,221	**7,251**	6,672
Total for continuing operations	**13,960**	13,222	**10,930**	10,248
Administration expenses			**(413)**	(545)
Finance costs			**(3,757)**	(3,838)
Unrealised foreign exchange gain			**388**	4,658
Unrealised interest rate swaps gain/(loss)			**1,748**	(15,734)
Profit/(loss) before income tax (continuing operations)			**8,896**	(5,211)
Taxation			**2,120**	(2,384)
Profit/(loss) for the period (continuing operations)			**6,776**	(2,827)

Revenue reported above represents revenue generated from external tenants. There were no inter-segment sales during the period (31 December 2008: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of administration costs, finance costs, unrealised foreign exchange gain, unrealised interest rate swaps gain/(loss) and income tax expense. This is the measure reported to the Board of Directors, who is the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. SEGMENT INFORMATION (CONT.)

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Segment assets		
Australia	**101,490**	100,518
New Zealand	**187,032**	195,715
Total segment assets	**288,522**	296,233
Unallocated	**–**	906
Consolidated assets	**288,522**	297,139
Segment liabilities		
Australia	**(62,603)**	(6,255)
New Zealand	**(37,235)**	(7,572)
Total segment liabilities	**(99,838)**	(13,827)
Unallocated	**(29,077)**	(123,967)
Consolidated liabilities	**(128,915)**	(137,794)

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

– all assets are allocated to reportable segments other than derivatives and tax assets.
– all liabilities are allocated to reportable segments other than derivatives, current tax and deferred tax liabilities.

4. INVESTMENT PROPERTIES

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Movement in investment properties		
Balance at the beginning of the period	**283,568**	295,470
Capitalised costs	**910**	1,291
Foreign exchange translation difference	**(984)**	(5,651)
Closing balance	**283,494**	291,110
Deferred initial direct costs/lease incentives		
Opening balance	**2,659**	2,331
Change during the period	**201**	282
Closing balance	**2,860**	2,613
Balance at the end of the period	**286,354**	293,723

Deferred initial direct costs/lease incentives

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

The Group holds the freehold to all properties except the car parks at Ascot Hospital and Ascot Central. The total value of leasehold property at 31 December 2009 was $2,700,000 (31 December 2008: $2,550,000).

5. DERIVATIVE FINANCIAL INSTRUMENTS

Nominal value of interest rate swaps – AUD	**70,000**	75,000
Nominal value of interest rate swaps – NZD	**4,000**	4,000
Average fixed interest rate	**7.59%**	7.24%
Floating rates based on NZD BBR	**2.85%**	8.02%

Notes to the condensed consolidated interim financial statements (cont.)

6. UNITS ON ISSUE

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Balance at the beginning of the period	**150,516**	149,173
Minimum holding buyback	**–**	(5)
Units issued under the distribution reinvestment plan	**830**	474
Capitalised costs	**(4)**	(19)
Balance at the end of the period	**151,342**	149,623

The number of units on issue at 31 December 2009 was 142,713,066 (31 December 2008: 141,239,704). The units have no par value and are fully paid up. Fully paid units carry one vote per unit and carry the right to distributions as declared by the Trust.

	Group (unaudited) 31 December 2009 000s	Group (unaudited) 31 December 2008 000s
Reconciliation of number of units		
Balance at the beginning of the period	**141,794**	140,010
Issue of units to satisfy Manager's incentive fee	**210**	791
Minimum holding buyback	**–**	(5)
Units issued under the distribution reinvestment plan	**709**	444
Balance at the end of the period	**142,713**	141,240

7. BORROWINGS

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
AUD denominated loans	**94,564**	96,786
NZD denominated loans	**3,510**	4,042
ANZ National Bank Limited	**98,074**	100,828

The Group has borrowings from the ANZ National Bank Limited and Australia and New Zealand Banking Group Limited in New Zealand and Australia. The NZ$135,000,000 facility is a multi-currency revolving credit facility (31 December 2008: NZ$135,000,000) currently due to expire on 31 March 2011.

The effective interest rate on the borrowings as at 31 December 2009 was 7.40% per annum including margin (31 December 2008: 7.28%).

7. BORROWINGS (CONT.)

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, a subsidiary of the Trust, 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.

8. TAXATION

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Profit/(loss) before tax for the period	8,896	(5,211)
Taxation charge	2,669	(1,563)
Tax on foreign exchange translation difference on intercompany account	–	(925)
Tax exempt income/loss	53	62
Non deductible expenses	(190)	(3)
Other adjustments	(412)	45
Taxation charge	2,120	(2,384)
The taxation charge is made up as follows:		
Current taxation	738	865
Deferred taxation	1,382	(3,249)
Total taxation charge	2,120	(2,384)
Imputation credits		
Imputation credits at the beginning of the period	7	258
Imputation credits attached to distributions paid		
Current period	(328)	–
Prior periods	–	(753)
Imputation credits at the end of the period	(321)	(495)

Imputation credits to be attached to the distribution for the quarter ended 31 December 2009 amount to $341,613 (31 December 2008: Nil).

Notes to the condensed consolidated interim financial statements (cont.)

9. RECONCILIATION OF PROFIT/(LOSS) AFTER TAX WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Profit/(loss) after tax for the period	**6,776**	(2,827)
Adjustments for non-cash items		
Fair value (gain)/loss on derivative financial instruments	**(1,748)**	15,734
Depreciation	**–**	1
Amortisation of loan amendment costs	**103**	103
Other adjustments	**220**	(59)
Unrealised foreign exchange gain	**(388)**	(4,658)
Effect of exchange rate changes on cash balances	**3**	(7)
Operating cash flow before changes in working capital	**4,966**	8,287
Change in trade and other payables	**(157)**	(936)
Change in taxation provision and deferred tax	**1,768**	(2,388)
Change in trade and other receivables	**314**	(132)
Net cash from operating activities	**6,891**	4,831

10. EARNINGS/(LOSS) PER UNIT

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

Profit/(loss) attributable to unitholders of the Trust ($000s)	**6,776**	(2,827)
Weighted average number of units on issue (000s)	**142,127**	140,680
Basic and undiluted earnings/(loss) per unit (cents)	**4.77**	(2.01)
Weighted average number of units		
Issued units at the beginning of the period (000s)	**141,794**	140,010
Issued units at the end of the period (000s)	**142,713**	141,240
Weighted average number of units (000s)	**142,127**	140,680

11. COMMITMENTS

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Capital Commitments		
The Group was party to contracts to purchase, construct or improved property of the following amounts:	57	621

Lease Commitments

CHPT No.1 Limited has non-cancellable operating lease rentals (these relate to a ground lease from the Auckland Racing Club on the rear car park at Ascot Hospital and Ascot Central) which are payable as follows:

Within one year	185	185
More than one year and less than five years	740	740
More than 5 years	788	973
	1,713	1,898

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, is set out in the table below:

Within one year	25,013	22,207
More than one year and less than five years	87,941	97,221
More than 5 years	102,299	91,630
	215,253	211,058

12. CONTINGENCIES

There were no contingencies as at 31 December 2009 (31 December 2008: Nil).

13. SUBSEQUENT EVENTS

On 17 February 2010, the Trust announced an interim gross distribution of 2.125 cents per unit. The record date for this distribution is 2 March 2010 and a payment is to be made to unitholders on 16 March 2010. There are $341,613 imputation credits attached to the distribution.

14. 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 ("IMAPPL").

Transactions with related parties include:

	Group (unaudited) 31 December 2009 $000s	Group (unaudited) 31 December 2008 $000s
Costs included in the income statement		
Management fees	1,116	1,088
Expenses charged by ING Medical Properties Limited	38	27
Expenses charged by ING (NZ) Limited	85	76
	1,239	1,191
Amounts outstanding		
Management fees	72	60
Expenses charged by ING Medical Properties Limited	2	–
Expenses charged by ING (NZ) Limited	22	–
	96	60

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

Expenses capitalised to projects		
ING Medical Properties Limited	277	–
ING (NZ) Limited	3	5
	280	5

The Group has a revolving multi-currency credit facility with ANZ National Bank Limited (the ultimate shareholder of the parent company of ING (NZ) Limited) in both New Zealand and Australia of NZD135,000,000 (31 December 2008: NZD135,000,000). As at 31 December 2009, NZD98,328,759 (31 December 2008: NZD101,288,841) had been drawn-down. The Group paid NZD3,596,889 (31 December 2008: NZD5,011,669) in interest and fees to ANZ National Bank Limited during the period.

Remuneration of Manager

The provisions of the Trust Deed provide that the Manager's fee (in respect of its management services) shall comprise a base fee equal to 0.75% gross value of the Trust. The Manager shall also be entitled to an incentive fee equal to 10% of the three year rolling average change in the Trust's revaluation reserve. Any incentive fee will be paid to the Manager by subscribing for new units in the Trust. The fee shall not exceed an amount equal to 1.75% per annum of the gross value of the Trust.

Directory

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Graeme Horsley
Peter Brook
Andrew Evans

TRUSTEE

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