



GOODMAN PROPERTY TRUST

MANAGED INVESTMENT SCHEME
ANNUAL REPORT 2017

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This Annual Report has been prepared for the purposes of the Financial Markets Conduct Regulations 2014 and is distinct from the Annual Report prepared in compliance with the NZX Listing Rules.

DETAILS OF THE SCHEME

The scheme is the Goodman Property Trust ("Scheme" or "GMT") which is a managed investment scheme for the purposes of the Financial Markets Conduct Act 2013 ("FMCA").

The Manager of the Scheme is Goodman (NZ) Limited and the Supervisor is Covenant Trustee Services Limited.

A Product Disclosure Statement has not been prepared for the Scheme as no regulated offers of units have been made pursuant to the FMCA.

The Scheme's latest financial statements and the auditor's report for those statements were lodged with the Registrar on 28 July 2017.

Units in the Scheme are listed on the NZX with the code of GMT.

DESCRIPTION OF THE SCHEME

The Scheme owns, develops and manages commercial property and business real estate space located in Auckland and Christchurch.

The Scheme is a unit trust established on 23 April 1999 under the Unit Trusts Act 1960.

INFORMATION ON COMPOSITION OF THE SCHEME

This Annual Report covers the accounting period from 1 April 2016 to 31 March 2017.

The number of managed investment products, being units in the Scheme, ("Units") on issue at the start of the accounting period was 1,273,070,920.

The number of Units on issue at the end of the accounting period was 1,280,222,885.

CHANGES RELATING TO THE SCHEME

Material changes to the nature of the Scheme, the Scheme property, or the management of the Scheme over the accounting period are as follows:

STATEMENT OF INVESTMENT POLICIES AND OBJECTIONS (SIPO)

The SIPO was lodged on 16 November 2016. There have been no changes to the SIPO since it was lodged.

TRUST DEED

During the period between 1 April 2016 and 31 March 2017, the Scheme's Trust Deed ("Trust Deed") was amended with effect from 14 November 2016 by supplemental deed. The amendments to the Trust Deed, as approved by the Manager and the Supervisor, bring the Trust Deed into compliance with certain legislative changes (including the enactment of the FMCA and the Financial Markets Conduct Regulations 2014 ("FMC Regulations")).

The amendments to the Trust Deed include:

- a) changes to the procedure for meetings of Unit Holders and requirements relating to the auditor of GMT;
- b) updating terminology to reflect the terminology used in the FMC Act;
- c) incorporating a requirement for Goodman (NZ) Limited, as Manager of GMT, to be adequately licensed to manage GMT; and
- d) providing that the Supervisor and Manager are indemnified, and related party transactions may only be entered into, to the extent permitted by the FMC Act.

A copy of the supplemental deed which amended GMT's Trust Deed is available in the corporate governance section of the Goodman Property Trust website (www.goodman.com/nz). It is also available on the Disclose Register accessible on the Companies Office website (<https://www.companiesoffice.govt.nz/disclose>).

RELATED PARTY TRANSACTIONS

During the period 1 April 2016 to 31 March 2017 there was no change to the nature and scale of related party transactions.

There were no related party transactions that were not on arm's-length terms.

Further details of the related party fees paid by GMT to Goodman (NZ) Limited and Goodman Property Services (NZ) Limited ("GPSNZ") can be found in the financial statements for GMT which have been lodged with the Registrar.

FINANCIAL CONDITION AND PERFORMANCE OF THE SCHEME

The benefits of a high-quality property portfolio and an investment strategy focused on the Auckland industrial market are being reflected in GMT's impressive financial results.

Highlights include:

- + Operating earnings¹ of \$121.7 million before tax or 9.51 cents per unit, consistent with earlier guidance and 1.1% higher than the previous period.
- + A 15.9% increase in cash earnings² to 7.08 cents per unit and full year cash distributions of 6.65 cents per unit.
- + \$220.5 million profit before tax (including revaluations of \$114.7 million), compared to \$247.9 million (including revaluations of \$145.8 million) previously.
- + An active sales programme with \$278.8 million³ of asset disposals.
- + Commencement of eight new development projects with a total project cost of \$97.0 million and yield on additional spend of 8.7%.
- + Greater balance sheet capacity with a look through loan to value ratio⁴ of 30.6% compared to 33.9% in the previous period.
- + An 8.3% increase in net tangible assets to 130.4 cents per unit compared to 120.4 cents per unit at 31 March 2016.

As at 31 March 2017 the Scheme had total current assets of \$106.1 million and total non-current assets of \$2,354.6 million and total liabilities of \$785.8 million (net assets of \$1,674.9 million).

Total comprehensive income for the 12 month period to 31 March 2017 was \$213.8 million, and total distributions relating to the period to Unit holders were \$85.0 million, representing 6.65 cents per Unit.

Total comprehensive income for the 12 month period to 31 March 2016 was \$233.1 million, and total distributions relating to the period to Unit holders were \$82.6 million, representing 6.65 cents per Unit.

Total distributions of 6.65 cents per Unit are expected to be maintained for the 12 month period to 31 March 2018.

You can find a copy of the Scheme's financial statements, including information on distributions made by the Scheme on the Disclose register at www.companies.govt.nz/disclose, scheme number SCH11225.

¹ Operating earnings are a non-GAAP financial measure included to provide an assessment of the performance of GMT's principal operating activities. Calculation of operating earnings are as set out in GMT's Profit or Loss statement. This can be found in GMT's Annual Report prepared in compliance with the NZX Listing Rules.

² A non-GAAP measure of free cash flow that adjusts operating earnings after tax for interest costs capitalised to development land and maintenance related capital expenditure. This can be found on page 16 of GMT's Annual Report prepared in compliance with the NZX Listing Rules.

³ Including \$7.7 million of sales that are contracted but not yet settled.

⁴ Refer to note 3.5 of the financial statements for further information. This can be found in GMT's Annual Report prepared in compliance with the NZX Listing Rules.

Further information on the financial result is provided in GMT's Annual Report at: www.goodmanreport.co.nz.

FEES

The following fees and expenses were charged in respect of the Scheme in dollars and as a percentage of Scheme's net assets for the 12 month period to 31 March 2017.

Fees and Expenses Description	Value (\$ million)	As percentage of Scheme's net assets.¹
Valuation fees	0.6	0.04
Auditor's fees	0.2	0.01
Trustee fees	0.3	0.02
Other costs	1.8	0.11
Fees/expenses charged by other persons	2.9	0.17
Manager's base fee (expected to be reinvested in Units).	7.7	0.46
Manager's performance fee	-	-
Property management fees	3.4	0.20
Leasing fees	1.3	0.08
Acquisition and disposal fees	2.0	0.12
Minor project fees	1.1	0.07
Development management fees	6.3	0.38
Fees charged by the Manager and it's associated persons	21.8	1.30
Total Fees and Expenses	24.7	1.47

¹The net assets of the Scheme as at 31 March 2017 were \$1,674.9 million.

MANAGER'S BASE FEE

The Manager's base fee is calculated as 0.50% per annum of the book value of GMT's assets (other than cash, debtors and development land) up to \$500 million, plus 0.40% per annum of the book value of GMT's assets (other than cash, debtors and development land) greater than \$500 million.

With effect from 1 April 2014, for a period of five years, the Manager has agreed to use its base management fee to reinvest in GMT units, provided that the Independent Directors of GNZ consider it in the best interests of GMT unitholders for the Manager to do so. The terms of the issue of such units were approved by Unitholders on 5 August 2014. The terms of issue are included in GMT's Trust Deed.

MANAGER'S PERFORMANCE FEE

The Manager is entitled to be paid a performance fee equal to 10% of GMT's performance above a target return (which is calculated annually) and is capped at 5% of annual out performance (except in a period in which GNZ ceases to hold office, or GMT terminates). The target return is equal to the annual return of a gross accumulation index created from NZX listed property entities having a principal focus on investment in real property, excluding GMT, with the index being compiled by a suitably qualified and experienced person.

Any performance below the target return is carried forward indefinitely to future periods. GMT will not earn a performance fee on any performance in excess of the target return plus 5% per annum. Any performance over that cap will be carried forward indefinitely to future periods (except in a period in which GNZ ceases to hold office, or GMT terminates). No performance fee is payable for any year where GMT's performance is less than 0%, however, any under or over performance is carried forward indefinitely to future periods.

The Manager is required to use performance fee proceeds to reinvest in GMT units in accordance with the terms of the Trust Deed. The issue price for these units is equal to the higher of market price and the net asset value per unit.

At 31 March 2017 a performance fee deficit of \$16.0 million (2016: deficit of \$15.1 million) was carried forward to include in the calculation to determine whether a performance fee is payable in future periods.

PROPERTY MANAGEMENT FEES

Property management fees are paid to GPSNZ for day to day management of properties.

LEASING FEES

Leasing fees are paid to GPSNZ for executing leasing transactions.

ACQUISITION AND DISPOSAL FEES

Acquisition and disposal fees are paid to GPSNZ for executing sale and purchase agreements.

MINOR PROJECT FEES

Minor project fees are paid to GPSNZ for services provided to manage capital expenditure projects for stabilised properties.

DEVELOPMENT MANAGEMENT FEES

Development management fees are paid to GPSNZ for services provided to manage capital expenditure projects for developments.

REIMBURSEMENT OF EXPENSES FOR SERVICES PROVIDED

Certain services are provided by GPSNZ in lieu of using external providers. Fees and expenses can only be charged to GMT by the Manager and GPSNZ in accordance with the terms the service arrangements and/or the GMT Trust Deed. Any change to the service arrangements and the GMT Trust Deed requires the approval of the Supervisor (or in certain circumstances, Unit holders) and would be advised to Unit holders via the NZX.

For more information in respect to the Fees, please refer to the Scheme's financial statements, on the Disclose register at www.companies.govt.nz/disclose, scheme number SCH11225.

A summary of the fees payable can be found in the corporate governance section of the GMT website.

SCHEME PROPERTY

The table below contains the assets of the Scheme extracted from the balance sheet as at 31 March 2017 and 31 March 2016:

\$ million	2017	2016
Non-current assets		
Stabilised properties	2,025.7	1,998.2
Developments	48.9	63.8
Land	174.7	213.3
Construction loan receivable	-	21.5
Investment in joint venture	70.7	63.2
Derivative financial instruments	18.9	33.8
Other Investments	12.0	-
Deferred tax assets	3.7	5.2
Total non-current assets	2,354.6	2,399.0
Current assets		
Investment property contracted for sale	7.7	43.8
Construction loan receivable	65.1	-
Advances to joint venture	18.4	23.5
Debtors and other assets	13.4	8.1
Cash	0.9	1.1
Derivative financial instruments	0.6	-
Total current assets	106.1	76.5
Total assets	2,460.7	2,475.5

CHANGES TO PERSONS INVOLVED IN THE SCHEME

James Spence was appointed to the position of Director Investment Management, effective from 12 September 2016. James was deemed a senior manager with effect from 18 May 2017.

Peter Dufaur resigned from the position of General Manager Development in March 2017 with his last day with the business being 30 September 2017.

Michael Gimblett was appointed to the position of General Manager Development, effective from 1 June 2017.

There have been no other changes to persons involved in the Scheme during the accounting period.

HOW TO FIND FURTHER INFORMATION

Copies of documents relating to the Scheme, such as the Trust Deed, SIPO and the annual financial statements are available on the Disclose register at www.companies.govt.nz/disclose, scheme number SCH11225.

You have the right, free of charge and during normal office hours, to inspect that part of the Unit register that relates to your Units on giving 5 working days' notice to the Manager.

You also have the right, free of charge, on giving 5 working days' notice and during normal office hours, to inspect a copy of the Trust Deed, SIPO and annual financial statements at the Manager's registered office, which is located at Level 28, 151 Queen Street, Auckland. Alternatively, you can obtain a copy free of charge by writing to us at PO Box 90940, Auckland 1142.

CONTACT DETAILS AND COMPLAINTS

Manager

Goodman (NZ) Limited
Level 28, 151 Queen Street
PO Box 90940
Victoria Street West
Auckland 1142

Toll free: 0800 000 656 (within New Zealand)
Telephone: +64 9 375 6060
(outside New Zealand)
Email: info-nz@goodman.com
Website: www.goodman.com/nz

Helpline

The Manager has a dedicated toll free number, 0800 000 656 (+64 9 375 6073 from outside New Zealand), which will connect Unitholders directly with the investor relations team who will assist with any queries.

Trustee and Supervisor

Covenant Trustee Services Limited
Level 6, Crombie Lockwood Building
191 Queen Street
PO Box 4243
Auckland 1140

Telephone: +64 9 302 0638

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142

Toll free: 0800 359 999 (within New Zealand)
Telephone: +64 9 488 8777
(outside New Zealand)
Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz

Complaints

Complaints may be made to the Manager or Supervisor.

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, the Manager is a member of an approved dispute resolution scheme (registration number FSP36542).

Financial Dispute Resolution

Freepost 231075
PO Box 2272
Wellington 6140

Toll Free: 0508 337 337 (within New Zealand)
Telephone: +64 4 910 9952
(outside New Zealand)
Email: enquiries@fdr.org.nz

There will be no fee charged to any complainant in connection with investigation.





www.goodman.com/nz