



Focused

Goodman Property Trust Annual Report 2018
GMT Bond Issuer Limited Annual Report 2018

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GMT Bond Issuer Limited Annual Report 2018

This document comprises the Annual Reports of Goodman Property Trust and GMT Bond Issuer Limited for the year ended 31 March 2018 and contains the information required to be disclosed pursuant to the Listing Rules.

- + The Units in Goodman Property Trust are listed on the NZX with the code of GMT.
- + Bonds issued by GMT Bond Issuer Limited, a wholly-owned subsidiary of Goodman Property Trust, are listed on the NZDX with the codes of GMB020, GMB030, GMB040, and GMB050.

Operating earnings

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 is as set out in GMT's Profit or Loss statement.

Cash earnings

Cash earnings is a non-GAAP measure that assesses free cash flow, on a per unit basis, after adjusting for certain items. Calculation of GMT's cash earnings is set out on page 50.

Look-through

A non-GAAP measure that includes GMT's proportionate share of Wynyard Precinct Holdings Limited, the joint venture with GIC that owns the VXV Portfolio.



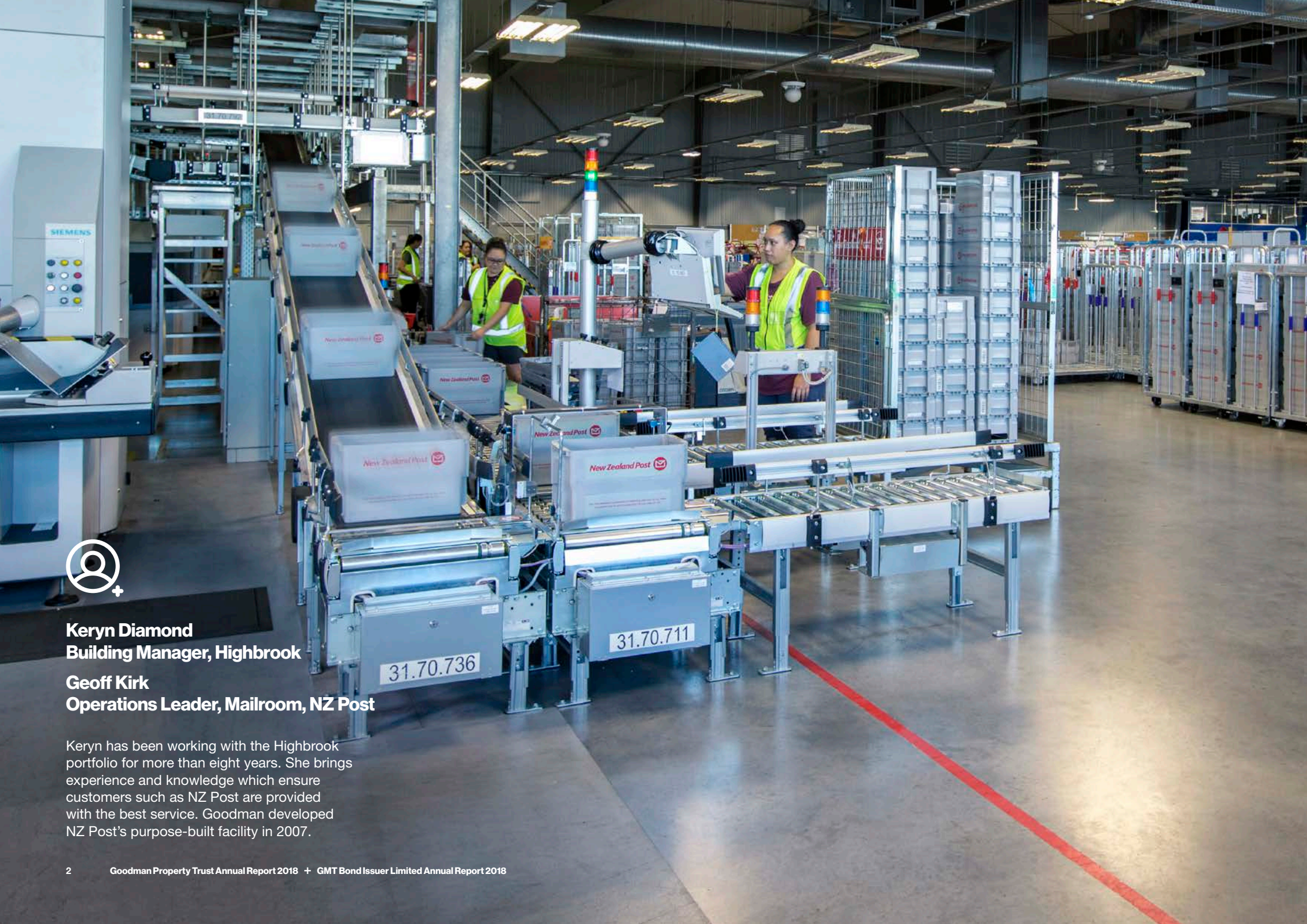
Evan Sanders
Portfolio Manager, Highbrook

Robyn Barfoot
Asset Manager, Highbrook

Between them, Robyn and Evan have 25 years' experience in the property industry, with 20 of those years in various property roles at Goodman. With that scope of knowledge and expertise to call on, customers at Highbrook know they are in good hands.

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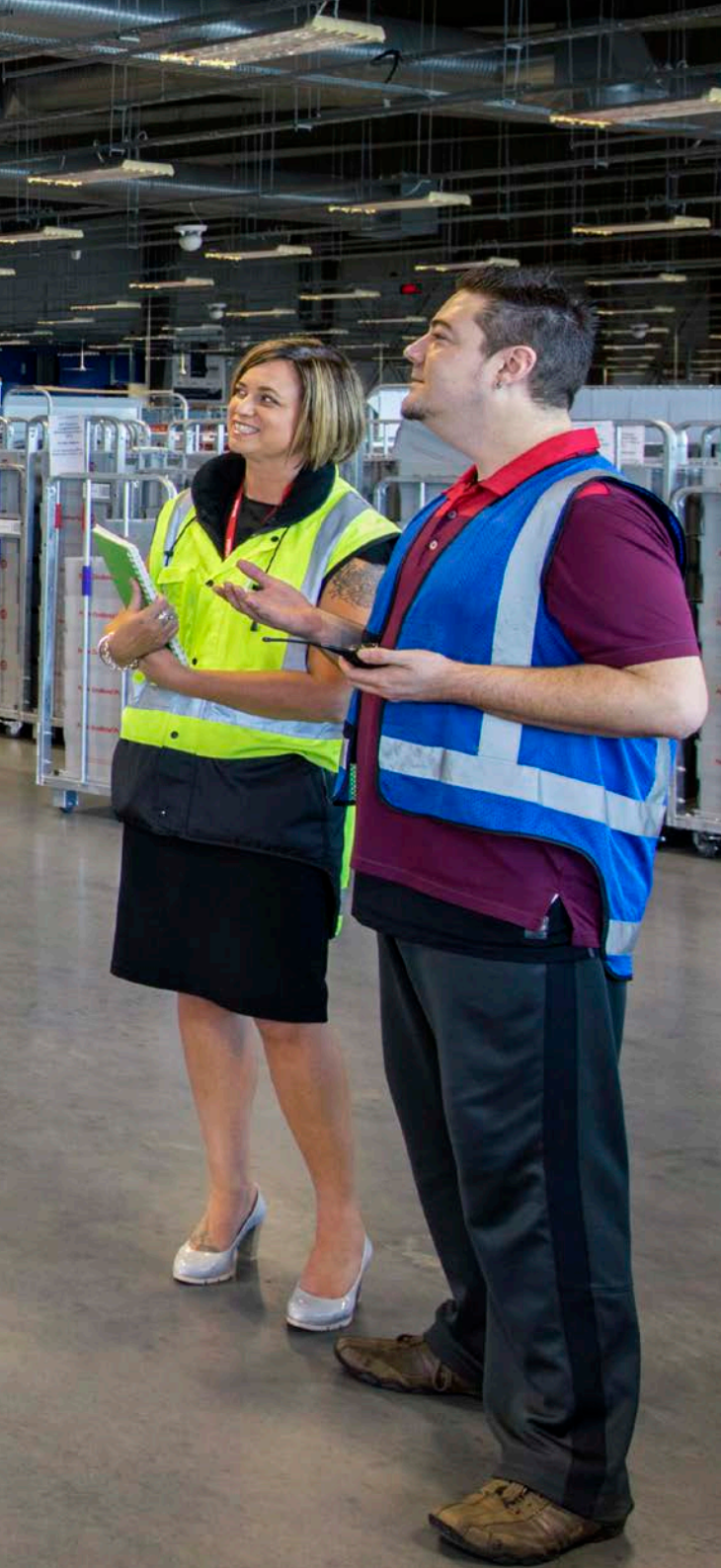
**We work smarter to
make industrial property
perform better**



Keryn Diamond
Building Manager, Highbrook

Geoff Kirk
Operations Leader, Mailroom, NZ Post

Keryn has been working with the Highbrook portfolio for more than eight years. She brings experience and knowledge which ensure customers such as NZ Post are provided with the best service. Goodman developed NZ Post's purpose-built facility in 2007.



We think about property every day and use our expertise to deliver the best property solutions for our customers

**Drawing on
our experience**

Our business is strengthened by the successful companies that choose our high-quality properties

More than 200 leading businesses have chosen Goodman as their property provider. Superior facilities, a commitment to customer service and the ability to accommodate changing business requirements help create long-term partnerships. These relationships create value for our investors and make us the leader in high-quality industrial space.





Customer Profile

ACCO is a supplier of stationery and art-related consumer products. The business has just moved into a new facility at Highbrook Business Park to support its growth, having previously occupied smaller buildings elsewhere in the portfolio.



Strategic locations

The Highbrook interchange and bridge across the Otara Creek was a catalyst for the development of the world-class business park on the Waiouru peninsula. With up to 30,000 vehicle movements a day along Highbrook Drive and direct access to SH1, it's one of Auckland's best business locations.



We invest in key locations across Auckland, close to infrastructure, transport networks and consumers

We've focused on the industrial property sector and have chosen to maximise our presence in Auckland to better serve businesses in time-critical sectors. We use the experience and expertise of our people to manage and develop strategic land investments into valuable assets such as Highbrook Business Park.

\$2.7 bn

Property portfolio at 31 March 2018

A successful year

\$207.2_m

Profit before tax

\$106.3_m

Look-through portfolio revaluation⁽¹⁾

\$243.9_m

Contracted asset sales

\$164.8_m

New development projects – total project cost



25.0%

Look-through loan to value ratio ⁽¹⁾ ⁽²⁾

6.99

Cash earnings

This year, we've sold assets and reinvested in our development programme.

This capital recycling means we have one of the lowest geared balance sheets in the sector. It also means we're well placed to look for new opportunities.

138.9

Net tangible asset backing

6.65

Cash distributions

The growth in value of our underlying portfolio reinforces our view that industrial property in Auckland will deliver strong returns over the long-term.

⁽¹⁾ Includes GMT's proportionate share of WPH.

⁽²⁾ Refer to note 3.5 of the Financial Statements for further information.

A high-angle, wide shot of a large industrial warehouse, likely a logistics or distribution center. The space is filled with multiple levels of conveyor belts and sorting systems. Workers in high-visibility vests are seen handling packages and operating machinery. The facility is well-lit with overhead industrial lighting. The overall scene conveys a sense of busy, organized operations.

Growth in e-commerce is driving demand for well-located and operationally efficient logistics space



CourierPost

CourierPost is the largest of the five NZ Post subsidiaries now located at Highbrook. The national parcel delivery service occupies a 20,000 sqm sorting and distribution centre tailored to its specific requirements. Designed as New Zealand's first Green Star rated industrial facility, it accommodates a highly automated parcel sorting system that is capable of processing up to 120,000 items a day.

Parcel volumes at this facility have increased around 33% over the last five years, reflecting not only the growth in the city but also the impact of e-commerce and online retailing.



Retail Sales

Online sales currently represent around 7% of total retail sales in New Zealand. It's a growing trend, with 10%-15% typical in the more mature US and UK markets.

What drives us

We're a company that always looks forward. Long-term plans ensure we make the most of changes in market conditions without being impulsive and remain focused on the needs of our customers. Profitability starts with discipline and balancing our core business drivers with the requirements of our proven own+develop+manage strategy.



New Zealand's largest industrial property business

With a market capitalisation of \$1.8 billion and a corporate credit rating of BBB from Standard & Poor's, GMT has grown to become one of New Zealand's largest listed property investors. It is a high-quality business built around a substantial property portfolio, a wide customer base and a proven development capability.

We have a diverse group of investors that is predominantly New Zealand-based but also includes global investment funds and a sovereign wealth investor.

Managed by the ASX-listed Goodman Group, also GMT's largest investor, the business benefits from the global perspective and expertise that this strong relationship provides.

Our own+develop+manage business model represents our core business functions with the customer as our central focus.

Own

We aim to own the very best industrial assets, in key locations, putting our customers close to consumers in growing markets.

Develop

Value-adding development capability and strategic land holdings allow us to build a portfolio of real quality, with facilities tailored to our customers' unique business requirements.

Manage

We manage all aspects of our business directly, taking responsibility for our customer and stakeholder relationships.

Purpose, pillars, approach (continued)

Business model

“Our vision is to be the leading provider of high-quality industrial space.”

John Dakin
Chief Executive Officer

Our business model is supported by the four strategic pillars that shape our business practices. This ensures that our stakeholders and their expectations are front of mind and that the targets we set are consistent with our corporate values.

- + Sustainable Development
- + Asset Management
- + Corporate Performance
- + People and Community



Working together

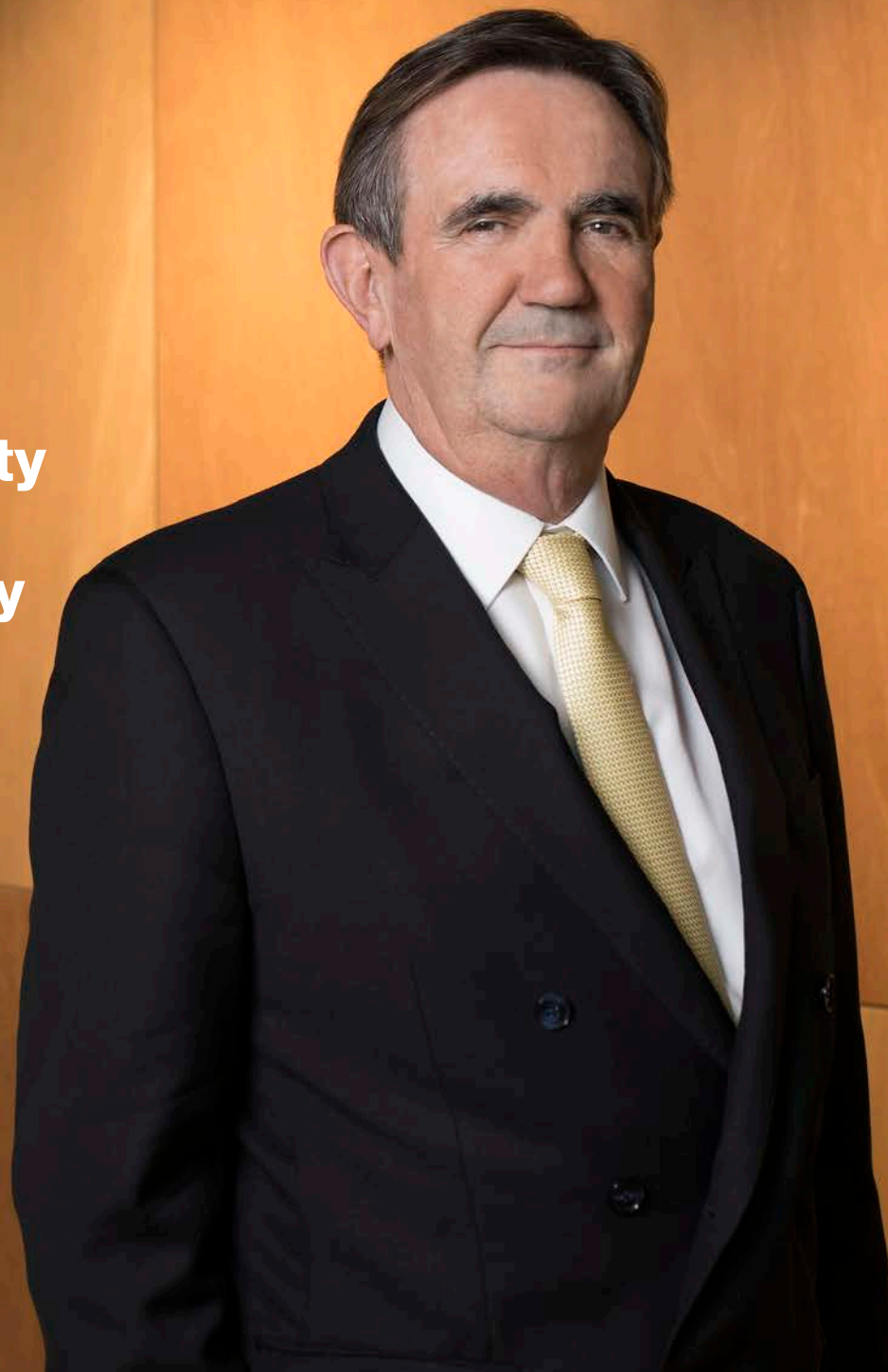
Our vision, business model and strategic pillars all come together to provide a clear and integrated plan for how we continue to use and prioritise the resources we have available and the goals we set for ourselves and our partners. Most importantly, they help ensure that everything we do revolves around our vision to be a true leader in quality business spaces.

You can read more about each component later in this report:

- + **Own** page 24
- + **Develop** page 26
- + **Manage** page 28

Concentrating our efforts

Focusing on the industrial property sector in Auckland puts us at the heart of a substantial and critically important part of the economy.



Chairman's report (continued)

Over the last five years we have successfully repositioned our business, concentrating investment in the rapidly growing and supply-constrained Auckland industrial market. A development-led growth strategy and successful sales programme have underpinned this transformation.

With \$0.7 billion of new development projects and almost \$1.2 billion of asset disposals and contracted sales since 2013, we are confident that the Trust's portfolio now represents the very best quality industrial property.

Our quality focus extends beyond the physical characteristics of the assets we own. It also includes the valued relationships we share with customers, investors, our own people and the communities where we operate.

With our development programme well advanced and asset sales now largely complete, the Board is extremely pleased with the progress that has been achieved. The Directors are equally satisfied with the Trust's operational and financial performance. Positive leasing results have maintained occupancy above 98% and also contributed to a statutory profit of \$207.2 million before tax.

We will pay cash distributions totalling 6.65 cents per unit this year, with \$85.5 million to be distributed to our almost 10,000 investors. This is consistent with earlier guidance.

With a strong balance sheet and a portfolio focused on the best performing property sector, the Board is confident that the business is well positioned for sustainable long-term growth.

Industrial focus

Industrial property provides the built infrastructure that businesses need to operate.

Our properties directly support the 260 companies that lease space in our portfolio and are the daily workplace for their 20,000 employees.

It is also an important part of the supply chain, ensuring goods are stored efficiently and can be quickly distributed to meet demand, whenever and wherever that may be.

We also believe industrial property is likely to provide the best risk-adjusted returns over the long-term.

These positive investment characteristics are reflected in another strong valuation result for GMT this year. The \$106.3 million or 4% uplift in the value of the portfolio (on a look-through basis) contributed to the 6.5% increase in GMT's net tangible asset backing, to \$1.39 per unit at 31 March 2018.

The evolution of e-commerce and online retailing is contributing to the strong demand for warehousing and distribution space across Auckland. Sustained economic growth together with demographic changes are adding to the requirement for large logistics facilities located close to consumers.

GMT's position as the largest owner and developer of industrial property in New Zealand means it is uniquely placed to benefit from rising e-commerce and the rapidly growing population in the country's largest city.



01

Our development programme has been accelerated to meet this demand. At the same time, diminishing greenfield opportunities and competition for land for residential conversion means that strategic brownfield sites are becoming more desirable. This emerging trend is reflected in our investment strategy as we look to secure a future pipeline.

Corporate reporting

This year we extended the breadth of the commentary within our annual report to provide a broader overview of our business. This approach allows stakeholders to assess performance on measures that matter to them.

It's a story we are proud to tell, and this report includes additional information about our business model, the current investment strategy and achievements in our sustainability programme.

01.

Beijer Ref is a new customer in the 7,503 sqm warehouse at 27 Pukekiwiriki Place. The air conditioning and HVAC supplier has taken an eight-year lease over the recently completed facility at Highbrook Business Park.

“GMT's position as the largest owner and developer of industrial property in New Zealand means it is uniquely placed to benefit from rising e-commerce and the rapidly growing population in the country's largest city.”

All of these areas receive attention from the Board and, as a responsible corporate citizen, we want to secure a positive mandate for the things we do.

We conducted a survey to determine our material factors this year, asking a representative group of our stakeholders to identify and prioritise the items they believe we should focus on. The comprehensive results, detailed on page 38, included 16 factors. The most significant being:

- + Customer relationships
- + Sustainable development
- + Resilient property portfolio
- + Capital structure and financial results
- + Health, safety and wellbeing.

These key areas are well aligned with our business priorities and underpin this year's reporting focus.

The Board believes that strong governance structures provide transparency and lead to better decision making. Governance is an area of continual refinement and I'm pleased to note that as a business we comply with the eight principles of the recently updated NZX Corporate Governance Code.

Our performance against these guidelines is described throughout this report and more specifically in the Corporate Governance summary section on page 114.

Better property sector representation

The drive for better and more equitable outcomes for our stakeholders underpins our submissions to local and central government.

We undertake this work both directly as an individual business and collectively through our various industry memberships. John Dakin was confirmed as the new President of the Property Council of New Zealand's governing National Council in April 2018. It is a voluntary position that offers opportunities to provide industry leadership on a range of topics.

John's appointment is extremely positive, ensuring our interests on matters such as regional growth, transport policy and taxation are represented at the highest level.

He has also expressed his desire to make the industry's leading body more contemporary, with improvements required across the sector in the areas of inclusion and diversity.

Investor forums

This year's Annual Meeting is to be held at 1:30pm on 4 July 2018 at Eden Park in Auckland. The Board encourages investor participation at all its forums and so we have selected a meeting venue that is easily accessible by both public transport and private motor vehicle. A live webcast will be broadcast for those who are unable to attend.

The formal business will include the election of one Independent Director. Further details will be contained in the Notice of Meeting, which is expected to be distributed on or around 12 June 2018. Please take the opportunity to vote, either using the forms you receive or through the online portal.

Recognising that our investors are located throughout the country, the Board and management team also intend to conduct a national roadshow later this year. Please take the opportunity to attend this biennial event and engage directly with those responsible for managing your investment.

Future focus

Our business strategy has continued to enhance the portfolio, adding to the financial strength of GMT, improving the quality of its earnings and reducing gearing to a historically low level.

The conditional sale of GMT's interests in the VXV Portfolio, following its 31 March balance date, has completed the repositioning of the portfolio with the investment focus now almost exclusively on Auckland industrial property. The transaction will also provide additional balance sheet capacity, reducing the loan to value ratio from an already low 25% to less than 20% of total assets. Consequently the Trust has the means to complete its development programme and pursue new investment opportunities while still maintaining a very prudent level of debt.

The Board expects to achieve cash earnings of around 7.0 cents per unit in FY19, a similar level to last year. Cash distributions of 6.65 cents per unit are expected to be paid.

We view the portfolio repositioning as transformative for GMT. It's a positive outcome that outweighs the short-term reduction in earnings growth as a result of asset disposals and balance sheet de-leveraging. Reinvesting in our development programme will drive future growth and continue to lift the quality of the portfolio.

The execution of this investment strategy means that the business we share is extremely well positioned.

On behalf of the Board



Keith Smith – Chairman and Independent Director



VXV Portfolio sale

The divestment of GMT's interest in the VXV Portfolio, owned within its Wynyard Precinct joint venture, was announced following its 31 March 2018 balance date.

The conditional sale is a defining transaction for the Trust. It completes a five-year sales programme that will have recycled almost \$1.2 billion of capital when this transaction settles. The Trust's portfolio has been extensively repositioned over this time with the sale of office assets and the progression of the development programme focusing investment in the Auckland industrial market.

The transaction reflects a passing yield of 6.6% and will add around two and a half cents per unit to net tangible asset backing when it settles, expected to be in late 2018.

\$323.9 m

asset price

GMT's 51% share of the \$635 million gross sale price. The portfolio includes seven low-rise office buildings located in Auckland's VXV Precinct, neighbouring the Wynyard Quarter.

Customer focused

We invest ahead of demand, meeting our customers' requirements for high-quality, efficient space in proven locations across Auckland.

For some years now we have been focusing our investment strategy in the markets that we expect to deliver the strongest returns. We have also committed to owning the very best property portfolio.

Adopting a long-term view means we invest for tomorrow as much as today and seek to build positive and lasting relationships with all our customers. We believe these factors make GMT a more sustainable and resilient business.

Progression of our development programme, continuing asset sales and selective acquisitions are all having a positive impact, refining the portfolio and deleveraging the balance sheet.

Financial performance

The Trust has delivered strong financial results over the last three years while the portfolio has been transformed with asset sales and new development commitments.

Further details on this year's financial performance is provided on page 49.

Highlights include:

- + Profit before tax of \$207.2 million (including property valuation gains of \$106.3 million), compared to \$220.5 million (valuation gains of \$114.7 million) previously
- + Operating earnings after tax of \$101.6 million and cash earnings of 6.99 cents per unit, consistent with earlier guidance
- + Extension to the Goodman+Bond programme, with two \$100 million retail bond issues
- + A loan to value ratio of 25.0% at 31 March 2018, on a look-through basis, including contracted sales at that date.

01.

Standing left to right in the reception area of the of the Goodman office are Chief Financial Officer, Andy Eakin and Chief Executive Officer, John Dakin.



Go



odman+

260+ customers

lease space in our portfolio, employing around 20,000 people

Management report (continued)

Customer relationships

The focus on superior customer service is a key point of difference for our business. We work hard at maintaining these professional relationships because they underpin demand for space within the portfolio. Superior service delivery also builds loyalty, so that our customers approach us first when their property requirements change.

We have achieved positive leasing results over the last 12 months with 201,623 sqm of the portfolio, representing around 18% of the portfolio, secured on new or revised terms. An impressive 130,574 sqm of these transactions are repeat business with existing customers.

This leasing success has maintained portfolio occupancy at over 98% and helped extend the weighted average lease term to beyond six years.

Sustainable development

The progression of our development programme has helped build a portfolio of enviable quality, literally building by building, since 2004. Around 80% of the portfolio has been developed since then, creating assets that set the benchmark for industrial and commercial property.

It is also creating value, with \$21.0 million of this year's valuation gains attributable to recently completed projects.

New requirements from existing customers make up a sizable proportion of our ongoing work. This trend has continued over the last 12 months with three of the seven new development projects pre-committed by existing customers. The seven projects, which include 24 new warehouse facilities, have a total project cost of \$164.8 million.

Strong customer demand has continued into the new financial year with two further projects, with a total cost of \$54.1 million, announced in May.

All our developments are completed to a consistently high standard. They incorporate sustainable design elements and are constructed using materials and building processes that minimise waste and other environmental impacts. Energy saving technology and low flow water fittings also means these buildings are operationally efficient.

The additional investment required to meet this high-quality specification reflects our commitment to a low carbon and sustainable future. The benefits are both immediate and longer term, combining productivity gains and reduced operating costs for our customers with higher investment returns for our Unitholders and better environmental outcomes for our communities.

Asset recycling

Asset disposals have provided the balance sheet capacity that is funding the rapid build-out of the Trust's development pipeline. During the year three further sales were secured. Totalling \$243.9 million, they included:

- + The three level office building at 7 Show Place in Addington, Christchurch for \$14.5 million
- + The recently completed Steel & Tube development in Hornby, Christchurch for \$20.4 million
- + The conditional sale of Central Park Corporate Centre for \$209 million.

Following our financial year-end, it was also announced that the VXV Portfolio had been conditionally sold to Blackstone, a sophisticated global investor. GMT's 51% share in the joint venture that owns the office assets was sold based on an asset price of \$323.9 million.

The disposal is a particularly significant transaction for the Trust. It is the largest of the asset disposals and its settlement later in 2018 will complete a substantial rebalancing of the portfolio that has focused investment in the Auckland industrial sector.

Following completion of all current developments and contracted sales, the Trust's Auckland industrial weighting will increase to around 95%, while remaining land holdings will represent approximately 5% of the total portfolio.

People and community

Our committed and hardworking team of more than 60 people continues to deliver the positive business outcomes that are the foundation of our operating results. Developing talent within this team and providing the tools and flexibility for individuals to perform their roles to the highest standard is always a priority.

Investment portfolio metrics

	Rentable area (sqm)	Average age (years)	Customer number	Occupancy %	Weighted average lease term (years)
Industrial portfolio	972,515	12.3	171	99.3	5.8
Office portfolio	138,729	11.9	93	94.5	7.1
Total portfolio as at 31 March 2018	1,111,244	12.3	264	98.2	6.1
Total portfolio after contracted sales	964,228	12.2	176	99.2	5.6

Note: Portfolio statistics includes leasing transactions signed after 31 March 2018.

Management report (continued)

The move to an activity-based working style, in a Green Star designed office space within the VXV Portfolio, has been the catalyst for some wider business improvements. We have formalised our commitment to being an equitable and diverse business and extended our inclusion and diversity policy to specifically focus on gender, ethnicity and age. To broaden representation, we have updated key policies and processes and, where appropriate, set targets for the future.

Our new workspace, which is designed to enhance productivity, is also facilitating new wellbeing initiatives for our employees. The focus is on our collective health with lifestyle advice, physical activities, medical checks and immunisations all being offered.

We're also pleased to report that Goodman is engaging with our wider communities more than ever before. You can learn more about these initiatives in the Community report on page 32.

Workplace safety is another focus area. As a business, we are committed to minimising harm and mitigating risk with the aim of being free of serious harm accidents. We insist on best practice from our employees and contractors so were disappointed to record one serious injury during the year, the first in three years.

The incident involved a tradesman working at one of our estates and resulted from procedures not being followed. A serious leg laceration meant the individual was off work for almost a week. Extra training and safety inductions have been implemented to ensure this type of accident doesn't occur again.

Outlook

The strength of our customer relationships continues to underpin our business success. It drives leasing results and supports our development programme. Both activities have created significant value over the last 12 months, adding to the rental cashflows generated by the Trust and the strong revaluation gains that are being achieved.

Taking advantage of the positive operating environment and intensifying the development programme remains our key focus. Funded through asset sales, it is a disciplined approach to growth that is enhancing the portfolio and helping to create a sustainable and resilient business that delivers value for all our stakeholders.

John Dakin – Chief Executive Officer

Andy Eakin – Chief Financial Officer



01.

John Dakin at the Highbrook Open Day in March 2018. The event was hosted at the Showroom Units on Highbrook Drive with investors able to meet staff, inspect the new facility and take a bus tour around the estate.



02.

DHL is a long-term customer that occupies our largest warehouse. It was the first facility developed at Highbrook in 2005 and the latest five-year lease extension will extend DHL's occupation of the site to almost 20 years.



03.

Air New Zealand renewed its lease at 185 Fanshawe Street in Auckland's VXV Precinct during the year.

Creating value

Our development programme is concentrated in key Auckland locations where supply is constrained. It is creating high-quality facilities to meet customer demand for warehouse and distribution space close to consumers.

We have over \$230 million of projects currently in progress. It's a large volume of work that is supported by a low vacancy rate and strong economic growth. We are focused on the timely delivery of these projects and progressing the balance of our value-adding development programme.

We have a further 22.1 ha of land available which is expected to support a further 116,000 sqm of industrial and commercial development.

850,000 sqm

High quality space

Around 80% of the portfolio has been developed since 2004, creating a modern industrial portfolio of unrivalled quality.





Ben Shaw
Project Manager

Gary Mundy
Director, Mundy Construction

Ben and Gary have worked on many projects together. Here they apply their depth of knowledge and expertise to the Gateway development at Highbrook.



Taking ownership of opportunities

We identify and acquire our assets prudently and with a clear view of their potential. Our proven experience in industrial property helps us see investment opportunities that will cater for the market not just today but years ahead.

We invest in industrial property based on its return profile, the depth of the market and the unique growth drivers for this type of asset.

Our \$2.7 billion property portfolio is predominantly located in Auckland. We've deliberately focused on the country's biggest city because urbanisation and growing e-commerce is increasing demand for logistics and warehousing facilities close to consumers. It's a global trend that we expect to continue to drive future growth.

Our capital allocation reflects not just the strong growth profile of the supercity but also the positive investment characteristics we've identified for industrial property.

These include:

- + Flexibility of design
- + A growing logistics sector
- + Lower lifecycle costs
- + High land component
- + More liquid investment market.

With estates in the key industrial suburbs of East Tamaki, Henderson, Mangere, Otahuhu, Penrose and Wiri, we've been able to achieve a level of scale across a portfolio of exceptional quality that helps attract and retain customers.

We have re-thought the modern workplace and changed perceptions of how industrial property is presented and used. Few property owners have the Auckland-wide footprint we provide and even fewer can offer the benefits of being located in a large masterplanned estate such as Highbrook Business Park.



Award-winning design, consistent landscaping, clear signage, recreational facilities, public infrastructure and business support services help create exceptional work environments for the companies that partner with us.

The attractiveness of those environments is reflected in our investment returns too, with the portfolio generating over \$465 million of valuation gains over the last five years. That's an average rate of growth of 4% per annum, which has added around 36 cents to our net tangible asset backing.

The properties within our estates are modern, highly specified and operationally efficient. They're well located, designed to meet the requirements of a variety of end users and can accommodate businesses that need access to air, port, rail and road freight networks.

Our top 10 customers represent almost 30% of our portfolio income. We have long-term contractual arrangements with these businesses – the largest of whom include NZ Post Group, Fletcher Building, Fonterra, DHL and Coda. The average term of these relationships, from original lease start to future expiry, is 17 years.

Our strategy (continued)

own

By developing lasting relationships with our customers, we can accommodate their changing needs and continue to create long-term value for our investors.

The portfolio is regularly reviewed to ensure it is delivering the returns we expect. Any properties that are assessed as non-strategic or have less growth potential are divested. In fact, we've substantially repositioned the portfolio over the last five years with almost \$1.2 billion of asset disposals and contracted sales.

The sale of Central Park Corporate Centre during the year and the post balance date disposal of GMT's interest in the VXV Portfolio largely completes our disposal programme. These conditional sales signal the divestment of all GMT's significant office assets with the Trust now almost exclusively focused on Auckland industrial property.

This disposal programme, which has achieved an average yield of 7.1%, has provided us with the balance sheet capacity to fund our development activity.

Continually renewing and extending the portfolio, this development programme has progressively transformed the business, contributing to the strong investment returns we have achieved.

It's a strategy we will continue to pursue, delivering critical business infrastructure to a growing city, while creating a portfolio of unrivalled quality.



01.

Central Park Corporate Centre was conditionally sold during the year for \$209 million. It follows the earlier sale of the Trust's other Greenlane office estates, Millennium and Connect.

02.

AB Equipment is a new customer at Highbrook. The industrial equipment supplier committed to a new 2,929 sqm warehouse that was being developed on an uncommitted basis, well ahead of the project completing.

Banking on our development programme



Our development programme focuses on producing the very best industrial properties. The strength of the portfolio we have developed has underpinned the success of GMT and continues to position the Trust for long-term growth.

Goodman's development capability is a powerful wealth creation advantage for our business. We provide customers with tailored facilities that help their businesses prosper. GMT has accelerated its development programme in recent years, taking advantage of strong property market conditions.

Around 80% of the portfolio has been developed since 2004. Converting strategically located land holdings into income producing assets has helped create a high-quality portfolio of real scale, with substantial estates such as Highbrook Business Park.

Consistent with our ownership strategy, this value-adding business activity is focusing GMT's investment in the Auckland industrial market.

The consumer catchment within a 20-minute truck drive of any of our Auckland estates is estimated to have purchasing power of more than \$13 billion.

This proximity to a significant consumer base is one of the key attractions for customers looking to locate their business within a GMT owned estate.

NZ Post Group was one of the first businesses to move to a design-built facility at Highbrook and is now GMT's largest customer. Convenience to motorways and on-site amenity were important attractions for this delivery and e-commerce logistics company.

Like many gateway cities, Auckland's infrastructure is struggling to cope with unprecedented growth and traffic congestion is one of the issues impacting businesses. Larger logistics operators are using integrated transport hubs as a way of reducing reliance on road transport networks.

Strategically located throughout the city, our portfolio includes rail options at Savill Link in Otahuhu for this type of customer. Savill Link is situated on the former site of the Otahuhu Railway Workshops and provides sidings that allow direct access to freight services along the main trunk line.

Coda and Mainstream are two businesses that have chosen to locate at Savill Link to take advantage of the rail infrastructure it offers and both have then expanded these facilities to accommodate business growth.

Our strategy (continued) develop

New requirements from existing customers make up a significant proportion of our development programme. Seven new projects were announced this year. With a total project cost of \$164.8 million, it represents the greatest volume of new work announced since 2009.

The projects, which are predominantly at Highbrook Business Park, utilise 13.1 hectares of development land and are expected to provide:

- + 63,468 sqm of rentable area across 24 new warehouse facilities
- + Almost \$10 million of annual revenue once fully leased and income-producing
- + Yield on additional spend of 8.3%
- + Valuation gains of between 10% and 15% once completed.

Two further development precommitments, with a total project cost of \$54.1 million, were secured after the year end.

The projects include:

- + A design-built warehouse facility of 14,050 sqm for Australasian packaging specialist NCI at Savill Link in Otahuhu
- + A 5,417 sqm warehouse expansion for national carrier and existing customer, Move Logistics at Highbrook Business Park.

The new commitments add to the large volume of work currently under way with the total value of these projects now \$233.0 million.

Following the completion of these current projects, GMT's investment in the Auckland industrial sector will increase to 95% of total property assets, while its land weighting will reduce to below 5%.

We expect the Trust's remaining land holdings will support a further 116,000 sqm of industrial and commercial development.

Our long-term vision and tailored approach to development provides our customers with quality facilities to match their requirements, ensuring their businesses operate efficiently and cost effectively.



01.

The changing property requirements of Spicers have been accommodated with a new design-built solution at Highbrook. The paper and stationary supplier is an existing customer at the estate.

02.

Sarah Mundy
Machine Operator,
Mundy Construction.
Sarah is a contractor on the Gateway development at the entry to Highbrook, one of seven projects currently under way. As well as being a heavy machine operator she is the site Health and Safety Officer.



Designed to be market-leading



Focusing on the detail and directly managing all our business functions using our own people, differentiates GMT as a premium property provider and enables us to continue to deliver on the things our customers really care about.

Our dedicated team of portfolio managers, property managers and support staff focuses on delivering superior customer service. Regular site visits from building managers support this service focus, providing an immediate point of contact should a building issue arise.

Engineering capability within the business also ensures that we optimise the operational efficiency of the portfolio and that our customers' facilities are working as intended.

The amenity available at our larger estates provides a true Goodman point of difference. Highbrook for example offers serviced

accommodation, banking facilities, a conference centre, childcare, cafés and bars, convenience retail, a gymnasium and other business support services. Set within an exceptional natural environment that features esplanade reserves, walking tracks and public spaces it sets the standard for modern business parks anywhere in the world.

The extensive landscaping and careful maintenance of all our properties means our customers and their employees are working in attractive and productive environments. Employee satisfaction, together with health and wellbeing, have been shown to contribute

to business productivity and are increasingly important considerations in a modern and progressive workplace.

In today's tight labour market it is another factor that helps businesses attract and retain staff.

It all starts with the design features and quality fittings our development managers incorporate into each new building project and extends through to the use of native plants and grasses in the landscaping. It continues throughout our estates with standardised signage and wayfinding.

The results are evident in our customer satisfaction surveys and the positive leasing results and high retention rates we achieve when leases come up for renewal.

Over 200,000 sqm of space was secured on new or revised terms in the last 12 months and the limited amount of vacant space within the portfolio has been further reduced. Occupancy is at 98% and with very few expiries due in the next few years the weighted average lease term has been extended to 6.1 years.

The most significant of our new deals is the renewal of logistics provider DHL's lease at Highbrook Business Park. The company has occupied the 31,631 sqm warehouse facility since it was constructed in 2005 and the latest five-year extension will extend its occupation of the key site to almost 20 years.

Other major leasing transactions include:

- + Linfox Logistics renewing its lease over 26,201 sqm of warehouse and office space at Westney Industry Park in Wiri for a further four years
- + Cottonsoft doubling its space requirement at Highbrook leasing the 16,973 sqm warehouse facility at 55 Business Parade North, from April 2018
- + Air New Zealand renewing its lease, over 185 Fanshawe Street in the VXV Precinct, out to 2027.

The strong demand from customers is also driving higher rental rates and we expect our cashflows to grow over the next few years as rents are raised to new market levels.

Our strategy (continued) manage

While we pride ourselves on how we manage both our customer relationships and property portfolio, equal focus is given to the fiscal management of the Trust. We take a long-term investment view and manage prudently to ensure we maintain a strong balance sheet that supports sustainable growth well into the future.

We've taken advantage of the strong investment market to sell larger office assets, focusing the portfolio in the preferred Auckland industrial sector. It's a disciplined approach that has funded the development programme over the last five years without the need for additional capital.

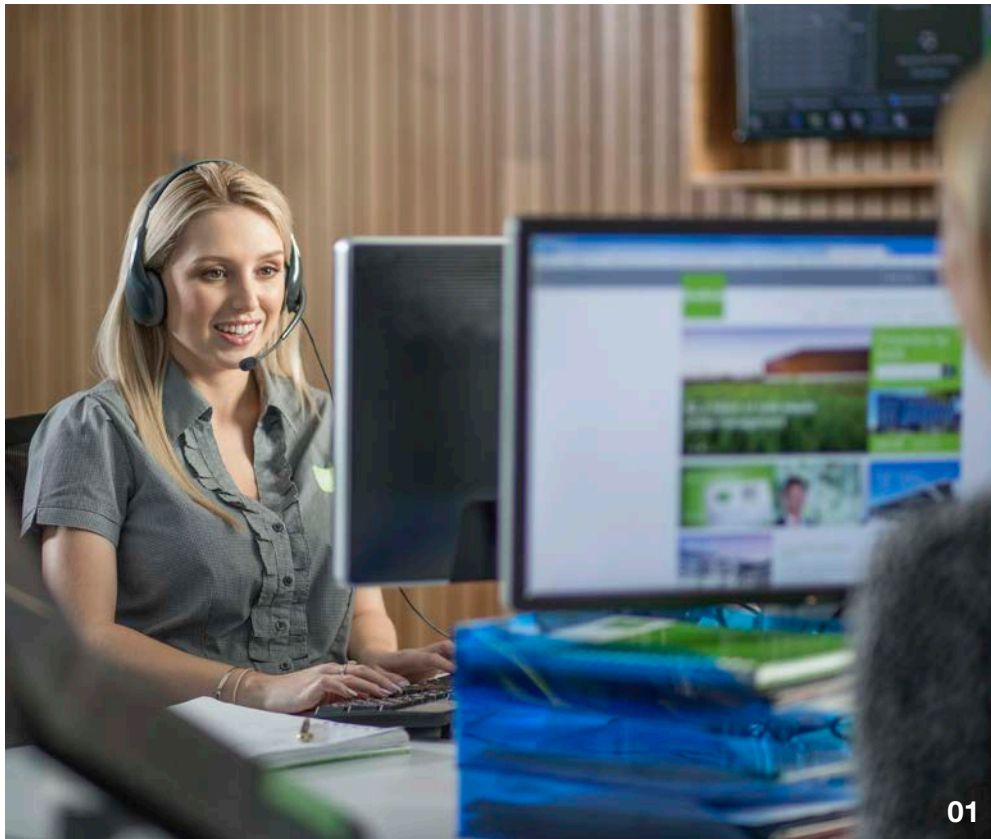
Converting our strategic land holdings in high-quality, income-producing assets has progressively transformed the portfolio.

It has also improved the alignment between the cash earnings we generate and the distributions we pay.

With a look-through loan to value ratio of just 25% at 31 March 2018, and less than 20% after adjusting for subsequent sales, we have the funding capacity to complete the development programme and pursue any additional investment opportunities that may arise.

It's a conservative level well below the maximum of 50% permitted under our Trust Deed and debt facility covenants.

Remaining focused on our current strategy and managing our customer relationships, property portfolio and financial position will ensure this business continues to thrive and that we remain New Zealand's leading industrial space provider.



01



02

02. High-quality landscaping differentiates GMT's property portfolio. Shane Everett, (shown on the left) is the Landscaping and Building Manager responsible for the presentation of all GMT's estates.

01. Briar Clark is Goodman's Building Services Co-ordinator. Her responsibilities include managing the service desk which provides customers with a 24/7 helpline for any building related issue.

Inspiring people

We pride ourselves on having a delivery-focused culture. Our people are how we continue to excel, consistently delivering projects that make a tangible difference to businesses in Auckland and beyond.

Diversity

GMT's results are a powerful endorsement for the positive outcomes that a talented and diverse team performing a wide range of tasks can deliver. We celebrate individual differences, and have updated our inclusion and diversity policy this year introducing targets across gender, ethnicity and age.

On average, our team is 37 years old, tertiary educated and has been with Goodman for 5.5 years. We are a team that includes 10 different ethnicities and has speakers of nine languages.

To ensure we continue to broaden representation within the business, we have adopted new recruitment practices, including blind CVs and panel interviews. We have also raised our ability to hire diversely through unconscious bias training.

These new policies help ensure we are always employing the best person. Career development, mentoring, and succession planning then give future leaders of the business every opportunity to progress.

A long-term incentive plan, flexible working options and generous parental leave arrangements are also offered to encourage people to stay with the business as their career develops or circumstances change.

We are striving for equal gender representation across all levels of the business. Of the 67 employees and directors included in the table alongside, 41.8% are female and 58.2% are male. The differing targets for 2023 reflect the five year objectives formalised in the Inclusion and Diversity Policy of Goodman (NZ) Limited, which can be found on our website.

Gender diversity

	Total persons	Female		Male	
		2018	2023	2018	2023
Board	7	28.6%	>40%	71.4%	<60%
Executive	7	28.6%	>40%	71.4%	<60%
Managerial	12	16.7%	>35%	83.3%	<65%
Other staff	41	53.7%	50%	46.3%	50%

Board composition

The skill set of our Board members is carefully balanced with commercial, property, capital market and financial expertise, all relevant to the effective and informed governance of GMT.

Our four Independent Directors have an average tenure of almost 10 years. Their depth of experience means they have a comprehensive understanding of the business.

Doing right by our people (continued)

Health and wellbeing

We recently adopted a new activity-based working style. It provides greater flexibility for employees, changing the way individuals can work. The new approach is also facilitating a greater focus on health and wellbeing.

A range of initiatives are being undertaken, some of which are also made available to our customers, business partners and the public. They include:

- + Annual flu vaccines and skin checks
- + Men's and women's health seminars
- + Touch rugby and boot camp fitness options at Victoria Park
- + Run & Walk Events at Highbrook Business Park, including the Lead Up Series to the ASB Auckland Marathon and the Waipuna Conference Suites Fun Run
- + Visits from the mobile blood bank and breast cancer awareness caravan within the VXV business community
- + Lunch time yoga classes.

Scholarship winner

Goodman invests in emerging talent and has awarded a scholarship to an outstanding undergraduate property student since 2006. This year's recipient is Taraani Mohammed, a third year student of the University of Auckland. Taraani was inspired to pursue a career in property after participating in the Shadow a Leader day with John Dakin.



01

01. Taraani Mohammed is the current Goodman scholarship recipient. She also works part-time in the business gaining valuable experience while she completes her studies.



02



03

02. Goodman staff participated in the Waipuna Conference Suites Fun Run-Walk at Highbrook again this year, with four top 10 finishers in the 10km run through the park reserves.

03. The opening of the new Goodman office included a blessing from Ngāti Whātua Ōrākei Marae.

Community

Engaging with and supporting various groups in the communities where we operate is fundamental for a business focused on long-term relationships and sustainable growth.

The Goodman Foundation supports social initiatives that aim to improve the quality of life, health and education, and standard of living of the people within our neighbourhoods. It is funded by the Manager with no direct costs borne by the Trust.

Through the Foundation and other fundraising, we have provided almost \$400,000 of financial support over the last 12 months. We have also contributed to local organisations through the donation of equipment, volunteering and in-kind programmes.

Our relationships with KiwiHarvest, Cerebral Palsy Society of NZ, Duffy Books in Homes, The Rising Foundation, The Hearing House and the Second Nature Charitable Trust are continuing to make a meaningful difference to our communities.

This year we also added Great Potentials and the Tania Dalton Foundation to our list of partnerships.

Further contributions were made to ADC New Zealand, Cure Kids, Diabetes New Zealand, Life Centre Trust, Middlemore Hospital Audiology, Movember, Multiple Sclerosis Society of New Zealand and Ronald McDonald House.

September

Stepember is the global fundraising initiative of Cerebral Palsy Alliance where Goodman is the exclusive global partner. It's a month-long event that gives participants a target of walking 10,000 steps a day, while raising money for local Cerebral Palsy charities.

In New Zealand, staff participated and larger customers were invited to join. In total, there were 492 individual entries, made up of 23 teams from Goodman and another 100 from businesses within the portfolio.

The local Goodman team raised over \$25,000 for the charity.

Tania Dalton Foundation

Tania was an inspirational sportswoman and Goodman is proud to be an inaugural sponsor of the Foundation set up to continue her legacy.

The aim of the charity is to deliver financial and mentoring support to young Kiwi athletes who face circumstantial hardship. The programme will help these individuals achieve their potential, develop as people and make a difference in their communities.

Goodman is funding a three-year scholarship for promising basketball player and secondary school student Sharne Pupuke-Robati from Auckland.

Movember

Men's health was the focus in November with Goodman participating in the Movember challenge for the first time.

Employees were encouraged to support the initiative by growing moustaches and raising money for the charity.

They were also invited to attend a men's health seminar that covered a range of topics including prostate and testicular cancer, smoking, alcohol, weight and cardiovascular risk.

The team raised over \$30,000 – a great success. In recognition of the effort, Robert Dunne from Movember came to the Goodman office to thank staff and to present a certificate to Goodman for being the highest fundraiser in the country.

KiwiHarvest

KiwiHarvest is a food rescue organisation that collects and redistributes perishable food that would otherwise be consigned to landfill. The food is delivered to charities and social organisations for redistribution to those in need.

For the 2017 calendar year the food rescue charity collected and redistributed 568,334 kgs of food, the equivalent of 1,623,811 meals, to 192 recipient agencies.

It's an exceptional effort made possible through contributions from 180 food donors and 200 volunteers.



01.

KiwiHarvest is a food rescue organisation that collects surplus food and redistributes it to social agencies. The Goodman Foundation is a key sponsor of its Auckland service which is located at Central Park Corporate Centre in Greenlane.

01.

John Dakin receiving an award from Robert Dunne of the Movember Foundation. Goodman staff raised more than \$30,000 in support of men's health in 2017, making us the highest fundraisers in the country.



02.

The Goodman Foundation is a sponsor of the Second Nature charity which runs the Wero Waterpark in Manukau. The facility provides Auckland children with whitewater sport and recreational opportunities.

03.

The Life Centre Trust is behind the Christmas Box initiative that provides families in need with Christmas hampers made up of donated goods. This year the charity used warehousing space provided by Goodman for its annual packing day.

04.

The Rising Foundation is another charity that receives our support. It provides a mentoring and development programme for South Auckland students that helps individuals realise their potential.





05

05. Goodman also sponsors the Tania Dalton Foundation. Sharne Pupuke-Robati is one of the inaugural scholarship recipients. She is pictured above with Tim Fitzsimmons, Portfolio Manager, presenting her award.



06

06. Duffy Books in Homes encourages reading by providing free books to children in low decile schools. The Goodman Foundation sponsors the initiative at Fairburn School, Sir Edmund Hillary Collegiate Junior School and Wiri Central School in South Auckland.



07

07. The Goodman Foundation is the global sponsor of the Cerebral Palsy Alliance and its September fundraising initiative. New Zealand staff raised over \$25,000 for the charity in 2017.



08

08. The Hearing House is a charity that provides services for deaf children and adults. The Goodman Foundation has contributed to the extension and redevelopment of the Stichbury Bidwell Centre in Epsom, where support services are offered.

Connecting business and community

Our approach to corporate responsibility and sustainability is described under each of these four focus areas:



Sustainable Development Future-proof portfolio

Creating high-quality estates:

- + Strategic locations close to infrastructure, consumers and transport
- + Industry-leading design
- + Sustainable features and technology
- + Flexibility of use
- + Low maintenance
- + Superior amenity.

As a long-term investor, we seek to future-proof our portfolio. We have formalised this commitment by adopting a base-build specification for new buildings that targets a high-quality design rating.

We work collaboratively with our customers and consultants on new projects, incorporating the latest technology and design features to improve the operational performance of our property portfolio.

We carefully manage the construction process to reduce the environmental impact and require our contractors to minimise waste. Sustainably-sourced building materials add to the quality of our buildings while smart management systems maximise energy efficiency and workplace functionality.

Workplace amenity is another focus. At Highbrook Business Park we provide public spaces and recreational opportunities, enhancing the health and wellbeing of our customers, employees and the wider community.

We showcased another aspect of our development capability this year, completing a new fitout for our Auckland office. Designed to achieve a 5 Green Star Interior rating it sets the benchmark for modern workplaces.



Asset Management Superior product and service

Functional and efficient business premises:

- + Facilities optimised for customers' businesses
- + Ongoing investment
- + Superior customer service
- + Energy efficient fittings
- + Waste management programmes.

Our aim is to deliver superior property solutions to our customers. Maintaining our properties to a high standard and ensuring they are operationally efficient contributes to the strong customer relationships that underpins our high occupancy rates.

Our ability to manage our assets over their lifecycle also improves their long-term environmental and financial performance.

Ongoing energy monitoring across the portfolio, through the Smart Power system, provides detailed energy and carbon reporting data that enables performance benchmarking of our assets against industry targets.

The energy consumed in FY18 totalled 11,479 MWhr⁽¹⁾, 86% of which was electricity with the balance being natural gas.

Our greenhouse gas emissions for FY18 have been estimated at 1,577 tCO₂, a decrease of 30% from the previous year. That continues a five-year trend of falling emissions, largely resulting from the divestment of office assets. New energy efficiency initiatives together with HVAC and building management system upgrades have also contributed.

⁽¹⁾ The calculations are derived from the property assets directly owned by the Trust and reflect energy consumption and carbon emissions from the operational management of these assets.

Sustainability (continued)

We understand that resources are scarce and need to be used efficiently. We also acknowledge that business and community are interconnected. Balancing these obligations improves our environmental, social and financial performance and supports sustainable business growth.



Corporate Performance Stakeholder partnerships

Establishing positive relationships:

- + Customers
- + Investors
- + Consultants and contractors
- + Suppliers
- + Regulators and other stakeholders.

Recognising that our corporate performance depends strongly on our choice of partners, we prefer to work with proven businesses and trusted groups.

We call the businesses we partner with customers not tenants. That's because tenant implies a transactional relationship, whereas our approach is to value and respect the people we work with in long-term mutually beneficial relationships.

We measure our impact, critically assessing our performance and provide the investment community and regulators, our customers

and community partners with balanced information about our business activities.

Transparent and robust governance structures give these stakeholders confidence in our reporting and we engage regularly across a variety of communication channels.

We are an active and respected industry participant and work to advance the interests of all our stakeholders. We are one of just 14 NZX entities participating in the Carbon Disclosure Project and have contributed data since 2009, demonstrating our commitment to improving the environmental performance of our business. The Trust achieved a climate score of C in 2017. The rating is consistent with the average of participating NZX entities.

You can find out more about the rating process and the Carbon Disclosure Project at www.CDP.net.



People and Community Thriving culture and neighbourhoods

Developing and nurturing people:

- + Health, safety and wellbeing
- + Equitable and empowering workplace
- + Positive and supportive culture
- + Social initiatives through the Goodman Foundation
- + Public spaces and recreational facilities.

The health, safety and wellbeing of our people, our customers, our contractors and the wider community is fundamental to our business. Since the introduction of the Health and Safety at Work Act 2015 we have worked closely with staff and contractors to develop a culture of greater safety awareness. The increase in reported near misses and incidents without injury reflects the importance placed on proper processes, vigilance and personal responsibility.

We support and develop our team, helping them reach their potential, and contribute to the creation of thriving communities through our social initiatives.

Creating a flexible and diverse workplace with a culture that inspires and challenges our employees is equally important. We introduced new health and wellbeing programmes this year, reflecting a more holistic approach to how we work. At the same time, we've moved to a more activity based style of working and revised our core employment practices. We've also updated our diversity strategy with specific targets to ensure we foster an inclusive and transparent work environment where all employees contribute.

We continue to support our communities through the Goodman Foundation. See pages 32 to 35 for a profile of the charities and groups that benefit from our community participation.

Reporting more broadly

Business today is about striking the right balance in everything we do.

In keeping with the NZX's updated Corporate Governance Code, we have extended the commentary in this year's Annual Report to include more discussion of our sustainability practices. To support this focus, we commissioned an independent assessment of the material factors influencing our success.

Our approach to determining materiality

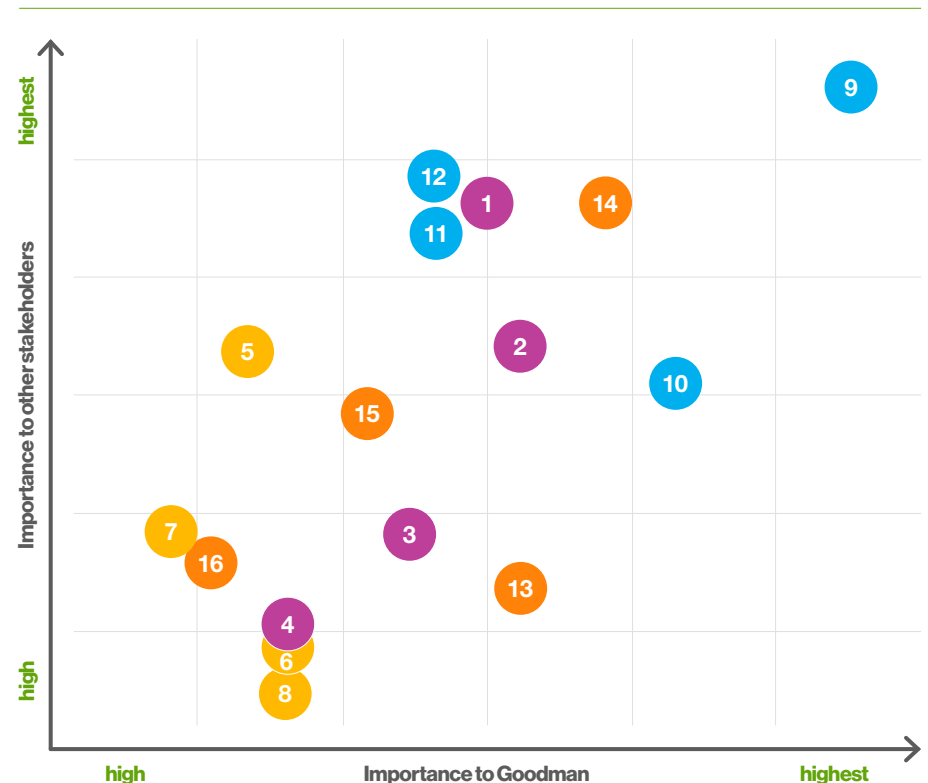
The assessment of GMT's material Environmental Social and Governance (ESG) factors was carried out in line with a Global Reporting Initiative (GRI) Standards approach. Although we have not followed the GRI Standards for this report, we felt it was important to base what we have done on an internationally acknowledged and respected benchmark.

We identified 16 factors as material to our business and these were mapped against the four strategic pillars.

This assessment was then canvassed with senior staff and selected stakeholders including investors, customers, suppliers and industry representatives. From there, we developed a materiality matrix based on the extent to which each factor influences stakeholders' decision-making and the significance of those factors to our success.

The matrix to the right should be read in conjunction with the legend alongside.

Material factors



Sustainability (continued)

01.

Goodman's new office space is expected to achieve a 5 Green Star Design rating.



Chart legend



Sustainable Development

- 1 Sustainable design
- 2 Building resilience and adaptation
- 3 Building materials and supply chain
- 4 Biodiversity and habitat



Asset Management

- 5 Energy consumption
- 6 Carbon emissions and climate change
- 7 Water consumption
- 8 Waste management



Corporate Performance

- 9 Customer attraction and retention
- 10 Capital structure and financial results
- 11 Risk management
- 12 Corporate governance



People and Community

- 13 Diversity and workplace
- 14 Health and safety
- 15 Stakeholder engagement
- 16 Community and investment

Mapping our materiality matrix back against our business model

All 16 factors are important contributors to the long-term performance of our business. In terms of ranking, the most significant factors for us were positioned in the upper right quadrant. These factors had the greatest influence on how our stakeholders assessed us, and were also those we judged most important for GMT economically, environmentally and socially.

The high ranking of customer attraction and retention is particularly satisfying. It convinces us that we are making strong progress in our bid to be the leader in quality business space and that our integrated own+develop+manage business model is keeping our stakeholder expectations front of mind. The attractiveness of our portfolio to customers directly aligns with our vision to have valued stakeholder partnerships and to contribute to thriving cultures and communities.

The presence of sustainable design and building resilience and adaptation in that top quadrant reflects our commitment to a future-proof portfolio. Securing the best land at prices that make future growth and development viable and sustainable, has underpinned our business model and our success for many years. By carefully choosing where we develop and then insisting on masterplanned industrial and office spaces that are highly functional, well designed and that meet high environmental standards, we are developing assets that will work to all our stakeholders' advantage. Future-proofing those designs by incorporating minimum sustainability standards then maintaining and managing our buildings ensures that our assets remain valuable, desirable and relevant to our customers.

Our ratings for health and safety confirm our approach to people and community, which is to always value and respect those we work with, establishing long-term mutually beneficial relationships. Mitigating risk is an important part of doing that.

Finally, it's good to see that other stakeholders are as focused as we are on strong financial performance. We see the inclusion of capital structure and financial results in the top quadrant as an assurance for customers, suppliers and investors that they are working with a business that understands that financial sustainability underpins all the other attributes.

Individually important, collectively outstanding

01.

NZ Post's mail sorting facility at Highbrook Business Park, one of five NZ Post businesses located at the estate.





01



02



03



04

01.

Turners Auctions has anchored the Penrose Industrial Estate for more than 10 years.

02.

SuperCheap Auto is one of the larger customers at Savill Link in Otahuhu.

03.

Westney Industry Park provides high-quality warehouse space for customers that require an airport location, such as DHL.

04.

The Crossing at Highbrook is a town centre style development that provides amenity and business services to the companies located within the business park.

+ Property portfolio as at 31 March 2018

Property	Location	Portfolio weighting	Key customers
Highbrook Business Park	East Tamaki	46.5%	DHL, NZ Post, Cottonsoft, Ford, Officemax
Savill Link	Otahuhu	10.3%	Coda, Toll, Steel & Tube, Mainstream
VXV Portfolio	Viaduct	9.4%	Conditionally sold post 31 March 2018
M20 Business Park	Wiri	8.2%	Frucor, Bridgestone, Ingram Micro, Orora, ACC
Central Park Corporate Centre	Greenlane	7.1%	Conditionally sold
The Gate Industry Park	Penrose	6.4%	Asaleo Care, Iron Mountain, Winstone Wallboards
Westney Industry Park	Mangere	4.2%	Linfox, Fliway, Hellman Logistics
Penrose Industrial Estate	Penrose	2.2%	Turners, George Weston Foods, Vehicle Safety Systems
The Concourse	Henderson	1.7%	Selwood Coating, Jay Cee Welding
Tamaki Estate	Panmure	1.3%	The Tile Depot, Sue-E, Habitat for Humanity
Connect Industrial Estate	Penrose	1.1%	Fletcher Steel, Tasman Insulation, Fletcher Concrete
Glassworks Industry Park	Christchurch	1.0%	Conditionally sold
Show Place Office Park	Christchurch	0.6%	Westpac, Southern Response, IAG
614 Great South Road	Greenlane	0.2%	Orthotic Centre





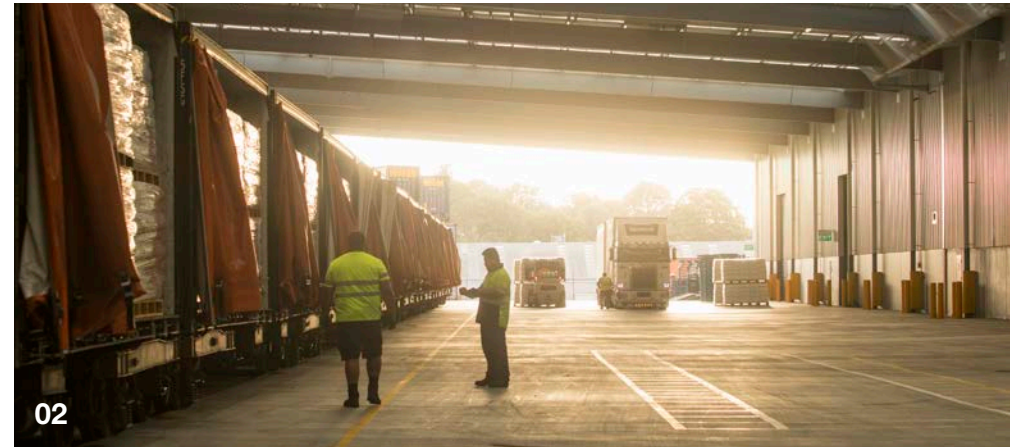
Highbrook Business Park

Highbrook is a world-class business park on Auckland's Waikou Peninsula. With a value of more than \$1.2 billion, it is a substantial estate that makes up around 50% of GMT's investment portfolio.

Masterplanned to make the most of its strategic location and outstanding natural attributes, the 108 ha estate includes, warehousing and distribution facilities, commercial offices, cool stores, light manufacturing businesses, showroom warehouses, short stay accommodation, hospitality options and convenience retail stores. Around 80% complete, with approximately 400,000 sqm of space developed since 2006, it sets the standard for modern business space and work place amenity.

Key features include:

- + Direct access to SH1 via its own motorway interchange
- + 18 km to the Auckland CBD and Port and 21 km to Auckland Airport
- + Adjoins 40 hectares of parks and esplanade reserves, with walking and running tracks
- + High-quality and technically advanced facilities sharing a consistent design theme
- + 85 leading businesses employing over 5,000 people.



01. New warehouse development leased to Potters, a specialist building materials and product supplier, at The Gate Industry Park in Penrose.

02. Rail siding within the canopy space of Coda, a specialist logistics operator at Savill Link in Otahuhu.

03. Kmart is one of GMT's larger customers at M20 Business Park in Wiri. The retailer occupies a 13,411 sqm warehouse and distribution facility.

04. The new warehouse facility at M20 Business Park in Wiri, leased to Orora is typical of GMT's industrial assets.



Rail at Savill Link

Located on the former railway workshop site in Otahuhu, Savill Link accommodates both medium and heavy industrial uses. The estate currently provides over 105,000 sqm of modern warehouse facilities, predominantly leased to large logistics operators. Dedicated rail sidings provide access to KiwiRail freight services along the main truck line for logistics specialists Mainstream and Coda.

\$256m

2018 Valuation

With 11 customers and a current value of \$256 million, Savill Link is one of GMT's larger estates. It makes up around 10% of the portfolio.



Board of Directors

For full profiles of the directors
and management team see
goodmanreport.co.nz



Keith Smith
Chairman and Independent Director



Susan Paterson
Independent Director



Gregory Goodman
Non-Executive Director



Phillip Pryke
Non-Executive Director



John Dakin
Chief Executive Officer and Executive Director



Peter Simmonds
Independent Director



Leonie Freeman
Independent Director

Management team



John Dakin
Chief Executive Officer and Executive Director



Anton Shead
General Counsel and Company Secretary



Jonathan Simpson
Head of Corporate Affairs



Mandy Waldin
Marketing Director



Andy Eakin
Chief Financial Officer



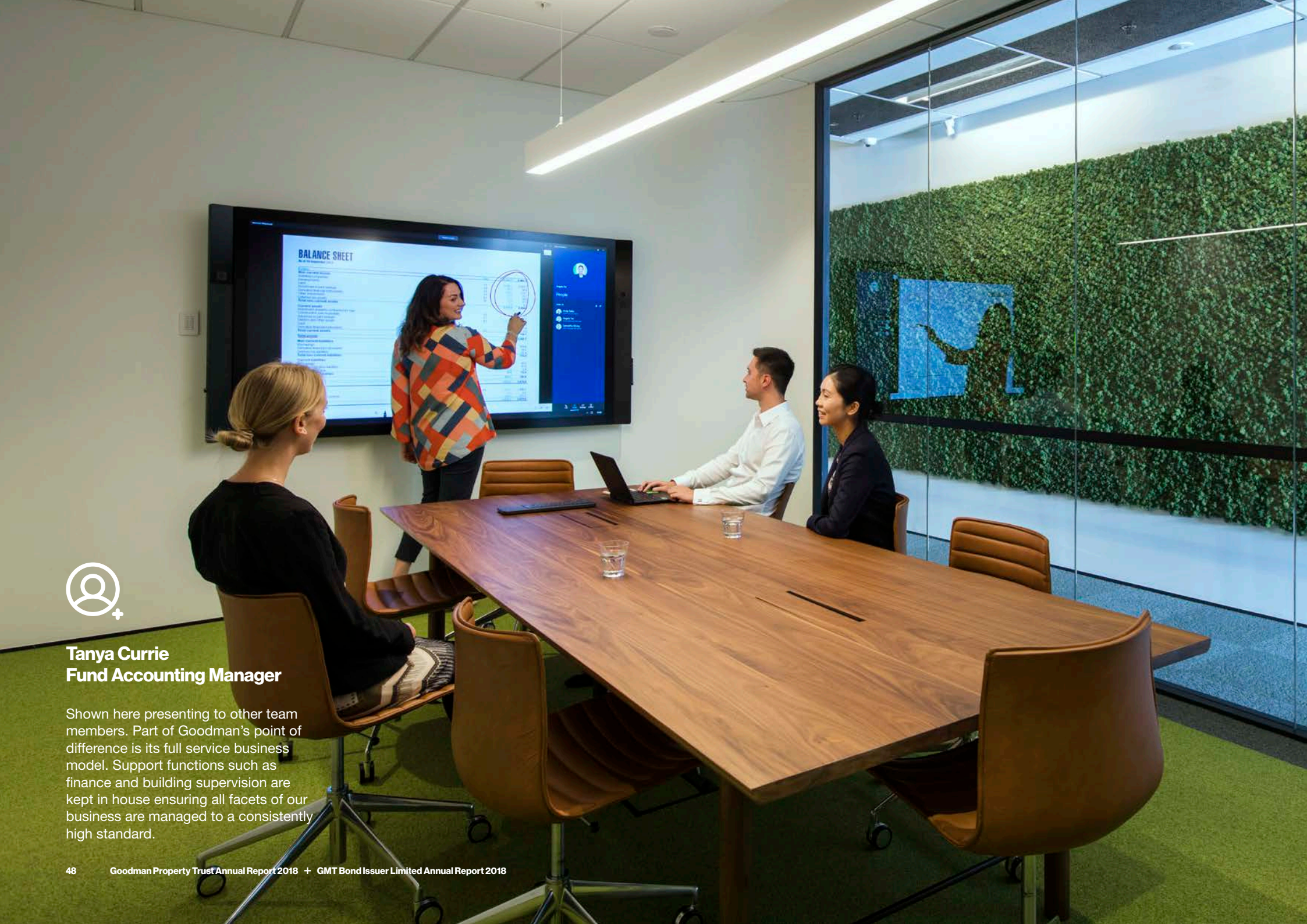
Kimberley Richards
Director – Investment Management
and Capital Transactions



James Spence
Director – Investment Management



Michael Gimblett
General Manager – Development



Tanya Currie
Fund Accounting Manager

Shown here presenting to other team members. Part of Goodman's point of difference is its full service business model. Support functions such as finance and building supervision are kept in house ensuring all facets of our business are managed to a consistently high standard.

Financial performance

A substantial portfolio revaluation has been a significant contributor to this year's \$207.2 million profit before tax.

Fair value gains attributable to the Trust's property portfolio contributed \$106.3 million, on a look-through basis, to this year's profit. The gain reflects the quality of the assets, rising market rentals and buoyant investment market conditions.

The current strength in investor demand is reflected in the firming of the portfolio capitalisation rate over the last 12 months, from 6.5% to 6.2%.

The 4.0% uplift in the value of the Trust's property portfolio follows the 5.4% or \$114.7 million, increase achieved last year. Although still substantial the lower portfolio revaluation is one of the main variances with last year's profit before tax of \$220.5 million.

Adjusting for these fair value gains and other cash and non-cash items provides the reconciliation between statutory profit and operating earnings.

Operating performance

Sustained customer demand, driven by low vacancy rates and continued economic growth, is being reflected in positive leasing results and new development commitments.

Ongoing asset sales are providing the funding capacity to progress this development activity.

The disposal of the Millennium Centre office assets in 2017 is the main contributor to the 3.1% reduction in net property income this year, to \$130.1 million. The lost income from the sale was greater than the positive contribution from completed developments over the last 12 months.

When GMT's proportionate share of the Wynyard Precinct joint venture is included however, net property income increased from \$147.2 million to \$148.5 million. The full year contribution of the Datacom building and the acquisition of Bayleys House added revenue.

While revenue was largely unchanged on a look-through basis, and administrative expenses were consistent with the previous year, net interest costs have increased in both GMT and its Wynyard Precinct joint venture. A lower level of capitalised borrowing costs in GMT and the recent acquisitions within the joint venture contributed to the higher cost.

Financial summary (continued)

As a result, operating earnings before tax have reduced 2.1% to \$119.1 million.

On a weighted average unit basis, this equates to 9.25 cents per unit. Full year cash distributions paid to Unitholders have been maintained at 6.65 cents per unit, which represents 95.1% of GMT's cash earnings.

Balance sheet

Focusing the Trust's investment strategy in the Auckland industrial sector has refined the business and positioned it for sustainable long-term growth. The progression of the development programme and further asset sales have continued to improve the quality of the portfolio while strengthening GMT's balance sheet position.

Seven development projects were announced during the year, requiring \$118.5 million of additional investment. Asset disposals, including the conditional sale of Central Park Corporate Centre, totalled \$243.9 million. Asset sales yet to complete are classified as investment property contracted for sale in the financial statements.

Adjusting for all contracted sales at 31 March 2018, the Trust had a loan to value ratio (LVR) of just 25.6%. Including the Trust's 51% interest in the Wynyard Precinct joint venture, look-through gearing is 25.0%.

The sale of the Wynyard Precinct joint venture, contracted after the year end, reduces GMT's proforma 31 March 2018 gearing to less than 20%. The proforma LVR represents around one third of the total borrowings permitted under the Trust's debt covenants. The strong balance sheet position provides substantial funding capacity for future development and investment opportunities while also providing significant headroom should asset values fall.

While the fair value movements from GMT's portfolio revaluation are excluded from operating earnings, they are the main drivers of the 6.5% increase in net tangible asset backing to 138.9 cents per unit (on a fully diluted basis).

Cash earnings

Cash earnings is a non-GAAP measure that assesses free cash flow, on a per unit basis, after adjusting for certain items.

The table below shows how the Trust's cash earnings are calculated and how this compares to the distributions it pays. It is a sustainable level with distributions representing 95.1% of underlying cash earnings in 2018.

\$ million	31 March 2018	31 March 2017
Operating earnings before tax	119.1	121.7
Tax on operating earnings	(17.5)	(15.7)
Operating earnings after tax ⁽¹⁾	101.6	106.0
Capitalised borrowing costs – land ⁽²⁾	(8.2)	(11.4)
Maintenance capex	(3.3)	(3.9)
Cash earnings	90.0	90.7
Cash earnings after tax (cpu)	6.99	7.08
Distributions per unit (cpu)	6.65	6.65
Distributions % of cash earnings	95.1	93.9

⁽¹⁾ Refer to note 4.2 of the Financial Statements

⁽²⁾ Refer to note 1.8 of the Financial Statements

The Manager currently uses the base management fee it earns to subscribe for new units in the Trust. It is required to do so for a period of five years, ending 31 March 2019. Adding back the base management fee in 2018 would reduce cash earnings by \$8.3 million or around 0.6 cents per unit.

Financial summary (continued)

Taxation

A total tax expense of \$13.2 million results in an after-tax profit of \$194.0 million, a reduction of 9.3% from the \$213.8 million recorded in 2017.

The low tax expense of \$6.7 million last year was the result of a deferred tax release following a reduction in the provision relating to tax depreciation.

After tax operating earnings, which removes the impact of deferred tax, reflects an effective tax rate of 14.7%.

Overview

	2018	2017	% change
Profit before tax (\$m)	207.2	220.5	(6.0)
Profit after tax (\$m)	194.0	213.8	(9.3)
Operating earnings before tax (\$m)	119.1	121.7	(2.1)
Operating earnings after tax (\$m)	101.6	106.0	(4.2)
Look-through movement in fair value of investment property (\$m)	106.3	114.7	(7.3)
Operating earnings per unit before tax (cpu)	9.25	9.51	(2.7)
Operating earnings per unit after tax (cpu)	7.89	8.28	(4.7)
Cash earnings per unit (cpu)	6.99	7.08	(1.3)
Cash distribution per unit (cpu)	6.65	6.65	–
Assets for loan to value calculation (\$m) ⁽¹⁾	2,231.0	2,326.4	(4.1)
Borrowings for loan to value calculation (\$m) ⁽¹⁾	571.3	681.8	(16.2)
Net tangible assets (cpu)	138.9	130.4	6.5
Loan to value ratio (%)	25.6	29.3	(12.6)
Look-through loan to value ratio (%)	25.0	30.6	(18.3)
Management expense ratio (%)	0.46	0.44	4.5

⁽¹⁾ Refer to note 3.5 of the Financial Statements for further information.

GMT Bond Issuer Limited

There were two further issues of Goodman+Bonds during the year, each of \$100 million.

- + GMB040 were 7 year bonds issued in May 2017 with an interest rate of 4.54%
- + GMB050 were 5.5 year bonds issued in March 2018 with an interest rate of 4.0%.

The proceeds replaced existing bank borrowings, extending the tenor and diversity of the Trust's debt facilities. The Trust now has 68% of its debt drawn from non-bank sources and these facilities had a weighted average term of 4.5 years at 31 March 2018.

During the year, GMT Bond Issuer Limited received \$15.3 million of interest income and incurred \$15.3 million of interest expense. The 36.6% increase on the previous year reflects the impact of the GMB040 and GMB050 bond issues during the year.

Standard & Poor's has maintained the credit rating of all Goodman+Bonds at BBB+. This is one notch higher than the Trust's investment grade issuer rating of BBB.

Five year financial summary

\$ million	2018	2017	2016	2015	2014
Profit or loss					
Net property income	130.1	134.2	133.8	134.7	127.8
Share of operating earnings before tax from joint ventures	10.3	8.4	6.3	4.4	4.0
Net interest costs	(18.7)	(18.0)	(20.5)	(24.1)	(21.1)
Administrative expenses	(2.6)	(2.9)	(2.6)	(2.7)	(9.6)
Operating earnings before other income / (expenses) and income tax	119.1	121.7	117.0	112.3	101.1
Movement in fair value of investment property	83.8	114.7	145.8	75.3	23.8
(Loss) / gain on disposal of investment property	0.5	(4.3)	(1.1)	4.5	2.3
Share of other (expenses) / income and tax from joint ventures	20.6	(1.4)	(2.2)	1.7	1.9
Movement in fair value of financial instruments	(8.5)	(2.5)	(5.3)	(15.3)	19.1
Manager's base fee expected to be reinvested in units	(8.3)	(7.7)	(6.3)	(6.4)	–
Other items	–	–	–	(1.2)	(1.4)
Profit before tax	207.2	220.5	247.9	170.9	146.8
Current tax	(16.5)	(17.8)	(17.8)	(15.4)	(7.8)
Deferred tax	3.3	11.1	3.0	24.2	(4.9)
Profit after tax attributable to unitholders	194.0	213.8	233.1	179.7	134.1
Operating earnings before tax per unit (cpu)	9.25	9.51	9.41	9.16	8.36
Operating earnings after tax per unit (cpu)	7.89	8.28	7.88	7.99	7.68
Cash earnings per unit (cpu)	6.99	7.08	6.11	6.04	5.14
Cash distribution per unit (cpu)	6.65	6.65	6.65	6.45	6.25
Balance sheet					
Investment property	2,231.0	2,249.3	2,275.3	2,095.7	2,039.8
Investment property contracted for sale	238.6	7.7	43.8	–	–
Investment in joint venture	114.3	70.7	63.2	59.1	54.5
Total assets	2,719.5	2,460.7	2,475.5	2,177.6	2,118.3
Borrowings for LVR calculation	571.3	681.8	753.2	694.2	734.2
Total liabilities	925.8	785.8	939.3	800.9	852.7
Unitholder funds	1,793.7	1,674.9	1,536.2	1,376.7	1,265.6
Loan to value ratio (%)	25.6	29.3	32.8	33.1	36.0
Look-through loan to value ratio (%)	25.0	30.6	33.9	34.2	35.9
NTA per unit (cpu)	138.9	130.4	120.4	108.4	100.4
Unit price at 31 March (cpu)	133.0	120.5	132.0	119.5	96.0
Property portfolio⁽¹⁾					
Net lettable area ⁽²⁾ (sqm)	1,111,244	989,300	1,040,991	983,182	1,034,996
Weighted average capitalisation rate (%)	6.2	6.5	6.95	7.5	7.9
Investment portfolio occupancy (%)	98	98	97	96	97
Weighted average lease term (years)	6.1	5.8	5.7	5.1	5.5
Customers	264	240	281	251	254

⁽¹⁾ Property portfolio metrics includes GMT's joint venture interests. At 31 March 2018 it includes properties contracted for sale.

⁽²⁾ Net of canopies and yard.

Five year financial summary (continued)

Profit after tax

\$ million

FY14	134.1
FY15	179.7
FY16	233.1
FY17	213.8
FY18	194.0

Total assets

\$ million

FY14	2,118.3
FY15	2,177.6
FY16	2,475.5
FY17	2,460.7
FY18	2,719.5

Equity

\$ million

FY14	1,265.6
FY15	1,376.7
FY16	1,536.2
FY17	1,674.9
FY18	1,793.7

Operating earnings before tax

\$ million

FY14	101.1
FY15	112.3
FY16	117.0
FY17	121.7
FY18	119.1

NTA per unit

cpu

FY14	100.4
FY15	108.4
FY16	120.4
FY17	130.4
FY18	138.9

Development commitments (TPC)

\$ million

FY14	98.2
FY15	108.8
FY16	148.7
FY17	97.0
FY18	164.8

Cash earnings

cpu

FY14	5.14
FY15	6.04
FY16	6.11
FY17	7.08
FY18	6.99

Loan to value ratio (Look-through)

%

FY14	35.9
FY15	34.2
FY16	33.9
FY17	30.6
FY18	25.0

Disposals

\$ million

FY14	37.2
FY15	148.7
FY16	124.2
FY17	278.8
FY18	243.9



William Main
Development Director

Bruno Warren
Development Manager

William and Bruno (standing left to right) are responsible for securing new development commitments from customers. Together with the Project Managers they also oversee the delivery of these projects. With over \$230 million of work in progress it is the highest volume of activity under way since 2009.

Goodman Property Trust

Financial Statements

For the year ended 31 March 2018

The Board of Goodman (NZ) Limited, the Manager of Goodman Property Trust, authorised these financial statements for issue on 28 May 2018.
For and on behalf of the Board:



Keith Smith
Chairman



Peter Simmonds
Chairman, Audit Committee

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Profit or loss

For the year ended 31 March 2018

\$ million	Note	2018	2017
Property income	1.1	159.5	165.6
Property expenses		(29.4)	(31.4)
Net property income		130.1	134.2
Share of operating earnings before tax from joint venture	2.1	10.3	8.4
Interest			
Interest income	3.1	7.2	5.7
Interest cost	3.1	(25.9)	(23.7)
Net interest cost		(18.7)	(18.0)
Administrative expenses	6.1	(2.6)	(2.9)
Operating earnings before other income / (expenses) and tax		119.1	121.7
Other income / (expenses)			
Movement in fair value of investment property	1.5	83.8	114.7
Disposal of investment property		0.5	(4.3)
Share of other income / (expenses) and tax from joint venture	2.1	20.6	(1.4)
Movement in fair value of financial instruments	5.1	(8.5)	(2.5)
Manager's base fee expected to be reinvested in units	6.3	(8.3)	(7.7)
Profit before tax		207.2	220.5
Tax			
Current tax on operating earnings	9.1	(16.9)	(15.2)
Current tax on non-operating earnings	9.1	0.4	(2.6)
Deferred tax	9.1	3.3	11.1
Total tax		(13.2)	(6.7)
Profit after tax attributable to unitholders		194.0	213.8
There are no items of other comprehensive income, therefore profit after tax attributable to unitholders equals total comprehensive income attributable to unitholders.			
Cents	Note	2018	2017
Basic earnings per unit after tax	4.2	15.06	16.70

Balance sheet

As at 31 March 2018

\$ million	Note	2018	2017
Non-current assets			
Stabilised properties	1.6	2,043.5	2,025.7
Developments	1.7	67.5	48.9
Land	1.8	120.0	174.7
Investment in joint venture	2.2	114.3	70.7
Derivative financial instruments	5.2	8.9	18.9
Other investments	12	–	12.0
Deferred tax assets	9.2	5.2	3.7
Total non-current assets		2,359.4	2,354.6
Current assets			
Investment property contracted for sale	1.9	238.6	7.7
Construction loan receivable	1.10	–	65.1
Advances to joint venture	10.2	107.5	18.4
Debtors and other assets	7	9.3	13.4
Cash		4.7	0.9
Derivative financial instruments	5.2	–	0.6
Total current assets		360.1	106.1
Total assets		2,719.5	2,460.7
Non-current liabilities			
Borrowings	3.2	823.6	659.8
Derivative financial instruments	5.2	18.7	18.2
Deferred tax liabilities	9.2	30.6	32.4
Total non-current liabilities		872.9	710.4
Current liabilities			
Borrowings	3.2	–	45.0
Creditors and other liabilities	8	49.2	27.6
Current tax payable		3.7	2.8
Total current liabilities		52.9	75.4
Total liabilities		925.8	785.8
Net assets		1,793.7	1,674.9
Equity			
Units	4.1	1,408.7	1,398.7
Unit based payments reserve		5.3	5.0
Retained earnings		379.7	271.2
Total equity		1,793.7	1,674.9

Cash flows

For the year ended 31 March 2018

\$ million	Note	2018	2017
Cash flows from operating activities			
Property income received		160.9	169.9
Property expenses paid		(35.2)	(33.2)
Interest income received		13.6	1.0
Interest costs paid		(23.9)	(22.8)
Administrative expenses paid		(2.6)	(2.9)
Manager's base fee paid		(8.0)	(7.0)
Net GST received		0.5	–
Tax paid		(15.6)	(19.5)
Net cash flows from operating activities	13	89.7	85.5
Cash flows from investing activities			
Acquisition of investment properties		(19.3)	(7.6)
Proceeds from the sale of investment properties		14.5	309.5
Capital expenditure payments for investment properties		(88.7)	(119.4)
Holding costs capitalised to investment properties		(13.3)	(19.7)
Construction loan receivable repayment / (advances)		65.1	(43.6)
Investment in joint venture		–	(5.1)
(Advances to) / repayments from joint venture		(102.4)	5.1
Dividends received from joint venture		0.5	4.6
Disposal / (acquisition) of other investments		12.0	(12.0)
Net cash flows from investing activities		(131.6)	111.8
Cash flows from financing activities			
Proceeds from borrowings		573.0	300.5
Repayments of borrowings		(449.0)	(409.0)
Proceeds from the issue of units		10.0	9.2
Distributions paid to unitholders		(85.5)	(85.0)
Settlement of derivative financial instruments		(2.8)	(13.2)
Net cash flows from financing activities		45.7	(197.5)
Net movement in cash		3.8	(0.2)
Cash at the beginning of the year		0.9	1.1
Cash at the end of the year		4.7	0.9

Changes in equity

For the year ended 31 March 2018

\$ million	Units	Unit based payments reserve	Retained earnings	Total
As at 1 April 2016	1,389.5	4.3	142.4	1,536.2
Profit after tax	–	–	213.8	213.8
Distributions paid to unitholders	–	–	(85.0)	(85.0)
Manager's base fee	–	9.9	–	9.9
Issue of units	9.2	(9.2)	–	–
As at 31 March 2017	1,398.7	5.0	271.2	1,674.9
Profit after tax	–	–	194.0	194.0
Distributions paid to unitholders	–	–	(85.5)	(85.5)
Manager's base fee	–	10.3	–	10.3
Issue of units	10.0	(10.0)	–	–
As at 31 March 2018	1,408.7	5.3	379.7	1,793.7

There are no items of other comprehensive income to include within changes in equity, therefore profit after tax equals total comprehensive income.

General information

For the year ended 31 March 2018

Reporting entity

Goodman Property Trust (“GMT” or the “Trust”) is a unit trust established on 23 April 1999 under the Unit Trusts Act 1960. GMT is domiciled in New Zealand. The Manager of the Trust is Goodman (NZ) Limited (“GNZ”) and the address of its registered office is Level 2, 18 Viaduct Harbour Avenue, Auckland.

The financial statements presented are consolidated financial statements for Goodman Property Trust and its subsidiaries (the “Group”). GMT’s investment in Wynyard Precinct Holdings Limited is accounted for as a joint venture using the equity method of accounting.

GMT is listed on the New Zealand Stock Exchange (“NZX”) and is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The Group’s principal activity is to invest in real estate in New Zealand.

Basis of preparation and measurement

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”), comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements also comply with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on the historical cost basis except for assets and liabilities stated at fair value as disclosed.

The financial statements are in New Zealand dollars, the Group’s functional currency, unless otherwise stated.

Basis of consolidation

The financial statements have eliminated in full all intercompany transactions, intercompany balances and gains or losses on transactions between controlled entities.

Significant estimates and judgements

Management is required to make judgements, estimates, and apply assumptions that affect the amounts reported in the financial statements. These have been based on historical experience and other factors management believes to be reasonable. Actual results may differ from these estimates and the difference may be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods affected.

The significant judgements made in the preparation of these financial statements are detailed in the following notes:

- + Investment property (note 1.5)
- + Derivative financial instruments (note 5.1)
- + Deferred tax (note 9.2)

Significant accounting policies

Significant accounting policies are disclosed in the relevant notes.

Changes in accounting policy

There have been no changes in accounting policies made during the financial year.

General information (continued)

For the year ended 31 March 2018

New accounting standards not yet effective

The following new standards have not been early adopted in these financial statements:

<p><i>NZ IFRS 9 Financial Instruments</i></p>	<p>This standard will replace NZ IAS 39 Financial Instruments - Recognition and Measurement. It addresses the classification, measurement and recognition of financial assets and financial liabilities, through a simplified mixed measurement model. It is required to be adopted by GMT in the financial statements for the year ending 31 March 2019.</p> <p>GMT has assessed the impact of this standard and no significant changes are expected to the recognition, classification and measurement of financial instruments compared to existing accounting policies.</p>
<p><i>NZ IFRS 15 Revenue from Contracts with Customers</i></p>	<p>This standard addresses the recognition of revenue from contracts with customers. It specifies the revenue recognition criteria governing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It is required to be adopted by GMT in the financial statements for the year ending 31 March 2019.</p> <p>GMT has assessed the impact of this standard and no significant changes are expected to the recognition and measurement of revenue compared to existing accounting policies.</p>
<p><i>NZ IFRS 16 Leases</i></p>	<p>This standard will replace the current guidance in NZ IAS 17 Leases and will be adopted by GMT in the financial statements for the year ending 31 March 2020. GMT is both a lessor and lessee of investment property.</p> <p>As a lessor</p> <p>GMT is a lessor of investment property leased to customers. For lessors, the accounting for leases under NZ IFRS 16 is similar to NZ IAS 17, with no significant changes to the recognition and measurement of leases expected compared to existing accounting policies.</p> <p>As a lessee</p> <p>GMT's exposure as a lessee is in respect of occupational ground leases at Westney Industry Park, and within GMT's WPH joint venture. WPH was contracted for sale after balance date, with settlement expected before 31 March 2019. As a lessee, NZ IFRS 16 requires the recognition of a 'right-of-use asset' representing the fair value of the occupational ground leases and a lease liability reflecting the present value of future lease payments for the occupational ground leases.</p> <p>GMT is currently assessing the financial impact of this change. There will be no change to cash flows recognised as a result of adoption of the new standard. Other financial impacts are not expected to be material.</p>

Notes to the Financials Statements

For the year ended 31 March 2018

1. Investment property

Property income is earned from investment property leased to customers.

1.1 Property income

\$ million	2018	2017
Gross lease receipts	145.9	153.5
Service charge income	19.8	20.5
Straight line rental adjustments	1.4	1.1
Amortisation of capitalised lease incentives	(7.6)	(9.5)
Property income	159.5	165.6

Accounting policies

Property income from investment property leased to customers under operating leases is recognised on a straight-line basis over the term of the lease to the extent that future rental increases are known with certainty. Accordingly, fixed rental adjustments are accounted for to achieve straight-line income recognition. Where lease incentives are provided to customers, the cost of incentives is recognised over the lease term on a straight-line basis as a reduction to rental income.

Customers' share of property operating expenses which are recoverable is recognised as service charge income.

1.2 Future contracted gross lease receipts

Gross lease receipts that the Trust has contracted to receive in future years are set out below. These leases cannot be cancelled by the customer.

\$ million	2018	2017
Year 1	130.3	133.6
Year 2	126.1	118.9
Year 3	111.1	108.2
Year 4	94.0	92.9
Year 5	76.5	76.0
Year 6 and later	250.4	257.6
Total future contracted gross lease receipts	788.4	787.2

1.3 Weighted average lease term

The weighted average lease term ("WALT") represents the average lease term for leases existing at balance date which are weighted by the value of the gross lease receipts.

Years	2018	2017
Weighted average lease term (years)	6.1	5.8

Notes to the Financials Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.4 Total investment property

This table details the total investment property value.

\$ million	2018				2017			
	Stabilised properties	Developments	Land	Total	Stabilised properties	Developments	Land	Total
Industrial								
Highbrook Business Park, East Tamaki	1,091.3	50.7	101.0	1,243.0	957.1	29.8	132.0	1,118.9
Savill Link, Otahuhu	237.8	6.5	11.9	256.2	216.0	4.7	13.4	234.1
M20 Business Park, Wiri	233.6	–	6.6	240.2	218.3	–	6.3	224.6
The Gate Industry Park, Penrose	189.5	–	0.5	190.0	164.2	8.3	0.4	172.9
Westney Industry Park, Mangere	119.8	–	–	119.8	114.9	–	–	114.9
Penrose Industrial Estate, Penrose	65.0	–	–	65.0	59.7	–	–	59.7
The Tamaki Estate, Panmure	37.0	–	–	37.0	34.9	–	–	34.9
Connect Industrial Estate, Penrose	31.8	–	–	31.8	30.9	–	–	30.9
Concourse Industry Park, Henderson	14.8	10.3	–	25.1	–	–	–	–
Glassworks Industry Park, Christchurch	–	–	–	–	–	6.1	2.6	8.7
Office								
Greenlane Office, Auckland & Show Place, Christchurch	22.9	–	–	22.9	229.7	–	20.0	249.7
Total investment property	2,043.5	67.5	120.0	2,231.0	2,025.7	48.9	174.7	2,249.3

Significant transactions

In July 2017, GMT settled the acquisition of two adjoining industrial properties in Henderson, Auckland for \$18.9 million.

In October 2017, GMT unconditionally contracted the sale of a property at Glassworks Industry Park for \$20.4 million. Settlement occurred in April 2018.

In November 2017, Central Park, Greenlane was contracted for sale for \$209.0 million. The disposal remains conditional on Overseas Investment Office consent.

In January 2018, 7 Show Place was sold for \$14.5 million.

During the year ended 31 March 2018 nine developments were completed and were independently valued at a total of \$130.6 million.

Notes to the Financials Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.5 Movement in fair value of investment property

Movement in fair value of investment property for the period is summarised below.

\$ million	Note	2018	2017
Stabilised properties	1.6	89.1	107.2
Developments	1.7	21.0	20.5
Land	1.8	(5.6)	(26.3)
Investment property contracted for sale	1.9	(20.7)	13.3
Total movement in fair value of investment property		83.8	114.7

The movement in fair value of investment property contracted for sale represents the difference between contracted sale price and expected book value at the date of settlement.

Key judgement

The carrying value of stabilised properties, substantially completed developments and land is the fair value of the property as determined by an expert independent valuer. The carrying value of investment property contracted for sale reflects the contracted sale price.

Fair value reflects the Board's assessment of highest and best use of each property at the end of the reporting period. If the Board's view of highest and best use has changed any impact on value will be assessed by independent valuations. Management review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the Board, the Chief Executive Officer, the Chief Financial Officer, the Management Valuation Committee, and the independent valuers at least twice every year in line with the Group's reporting dates. Full independent valuations are completed for stabilised properties, developments held at fair value and land at least annually. Developments where fair value is not able to be reliably determined are carried at cost less any impairment. Additionally, at each financial year end all major inputs to the independent valuation reports are verified and an assessment undertaken of all property valuation movements by management.

The fair values presented are based on market values, being the estimated amount for which a property could be exchanged on the date of 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. If this information is not available, alternative valuation methods are used, such as; recent prices on less active markets; the capitalisation method, which determines fair value by capitalising a property's sustainable net income at a market derived capitalisation rate with capital adjustments made where appropriate; or discounted cash flow projections ("DCF"), which discount estimates of future cashflows by an appropriate discount rate to derive the fair value. The key assumptions used in the valuations are derived from recent comparable transactions to the greatest extent possible; however, all three of the valuation methods rely upon unobservable inputs in determining fair value for all investment property.

Valuations reflect the following unobservable inputs, where appropriate: the quality of customers in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the customer; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time. All investment property is categorised as level 3 in the fair value hierarchy. Refer to note 14.6 for details of the hierarchy and the Group's transfer policy. During the year, there were no transfers of properties between levels of the fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.5 Movement in fair value of investment property (continued)

The key inputs used to measure fair value of stabilised properties and substantially completed developments are disclosed below:

Significant input	Description	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to decrease in input	Valuation method
Market capitalisation rate	The capitalisation rate applied to the market rental to assess a property's value. Derived from similar transactional evidence taking into account location, weighted average lease term, customer covenant, size and quality of the property.	Decrease	Increase	Capitalisation
Market rental	The valuer's assessment of the net market income attributable to the property; includes both leased and vacant areas.	Increase	Decrease	Capitalisation & DCF
Discount rate	The rate applied to future cashflows; it reflects transactional evidence from similar types of property assets.	Decrease	Increase	DCF
Rental growth rate	The rate applied to the market rental over the 10 year cashflow projection.	Increase	Decrease	DCF
Terminal capitalisation rate	The rate used to assess the terminal value of the property.	Decrease	Increase	DCF

The following table discloses the weighted average quantitative information by asset class for stabilised properties and developments held at fair value (excludes investment property contracted for sale):

	Market capitalisation rate %	Market rental \$ per sqm	Discount rate %	Rental growth rate %	Terminal capitalisation rate %
2018					
Industrial	6.1	130	7.9	2.7	6.4
Office	8.8	259	9.9	1.5	8.8
2017					
Industrial	6.3	115	8.8	2.7	6.4
Office	7.5	319	8.5	2.2	7.8

Land is valued based on recent comparable transactions which had land values ranging between \$230 per square metre ("psm") and \$650 psm for industrial land (2017: between \$220 psm and \$650 psm) and between \$850 psm and \$1,500 psm for office land (2017: between \$750 psm and \$1,400 psm).

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.6 Stabilised properties

2018	\$ million						Valuer	Net lettable area sqm	Weighted market cap rate %	Occupancy %	WALT years
	Valuation 2017	Acquisitions / transfers in	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2018					
Industrial											
Highbrook Business Park, East Tamaki	957.1	77.3	2.0	–	54.9	1,091.3	Colliers, Savill	390,481	5.8	100	5.8
Savill Link, Otahuhu	216.0	16.8	1.3	–	3.7	237.8	CBRE	106,593	6.1	100	7.6
M20 Business Park, Wiri	218.3	–	2.0	–	13.3	233.6	JLL	108,419	6.4	99	5.0
The Gate Industry Park, Penrose	164.2	13.5	1.5	–	10.3	189.5	CBRE	82,676	6.3	100	4.3
Westney Industry Park, Mangere	114.9	2.6	1.1	–	1.2	119.8	CBRE	105,777	8.1	100	7.1
Penrose Industrial Estate, Penrose	59.7	–	0.7	–	4.6	65.0	Colliers	30,736	6.5	90	3.1
The Tamaki Estate, Panmure	34.9	–	0.2	–	1.9	37.0	Colliers	19,448	5.0	100	2.1
Connect Industrial Estate, Penrose	30.9	–	0.4	–	0.5	31.8	CBRE	21,942	6.5	100	1.6
Concourse Industry Park, Henderson	–	11.5	1.6	–	1.7	14.8	Colliers	9,202	7.5	100	3.4
Glassworks, Christchurch	–	20.4	–	(20.4)	–	–					
Office											
Greenlane Office, Auckland & Show Place, Christchurch	229.7	–	16.7	(220.5)	(3.0)	22.9	Colliers, CBRE	8,996	8.8	94	1.3
Total stabilised properties	2,025.7	142.1	27.5	(240.9)	89.1	2,043.5		884,270			

Acquisitions reflect the purchase price and any associated transaction costs.

Transfers in represent the net book value transferred in to a category during the year.

Net expenditure comprises capital expenditure, holding costs, straight line rental adjustments, leasing incentives and leasing costs paid, less any amortisation of leasing incentives and leasing costs.

Fair value movement reflects the difference between the 31 March independent valuation and the net book value immediately prior to the valuation.

Disposals comprise the net book value at the date of disposal for properties sold in the year.

Transfers out represent the net book value transferred out of a category during the year.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.6 Stabilised properties (continued)

2017	\$ million						Valuer	Net lettable area sqm	Weighted market cap rate %	Occupancy %	WALT years
	Valuation 2016	Acquisitions / transfers in	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2017					
Industrial											
Highbrook Business Park, East Tamaki	789.3	88.5	2.8	–	76.5	957.1	Colliers, Savill	361,124	5.9	99	5.7
Savill Link, Otahuhu	171.4	26.8	3.0	–	14.8	216.0	CBRE	102,884	6.4	100	8.5
M20 Business Park, Wiri	174.9	29.5	2.1	–	11.8	218.3	JLL	105,775	6.6	99	5.6
The Gate Industry Park, Penrose	153.0	–	1.1	–	10.1	164.2	CBRE	77,184	6.7	100	3.7
Westney Industry Park, Mangere	118.4	–	1.7	–	(5.2)	114.9	CBRE	103,735	8.0	100	6.7
Penrose Industrial Estate, Penrose	53.4	–	–	–	6.3	59.7	JLL	30,736	6.8	100	3.5
The Tamaki Estate, Panmure	31.1	–	1.3	–	2.5	34.9	Colliers	19,448	5.3	100	2.5
Connect Industrial Estate, Penrose	27.8	–	1.3	–	1.8	30.9	CBRE	21,942	6.8	100	2.6
Glassworks & Southpark, Christchurch	33.4	–	2.3	(35.7)	–	–					
Office											
Greenlane Office, Auckland & Show Place, Christchurch	445.5	–	20.5	(224.9)	(11.4)	229.7	Colliers, CBRE	55,730	7.7	88	3.5
Total stabilised properties	1,998.2	144.8	36.1	(260.6)	107.2	2,025.7		878,558			

Accounting policies

Stabilised properties are investment properties which are held to earn rental income. They are recorded initially at cost, including related transaction costs. After initial recognition, stabilised properties are carried at fair value. A panel of expert independent valuers value the portfolio at least once each year, generally at 31 March. Fair values are based on estimated market values. If this information is not available, alternative valuation methods such as recent prices in less active markets, the capitalisation method, or discounted cash flow projections are used.

Stabilised property that is being redeveloped is carried at fair value and holding costs are capitalised to the property during redevelopment. Expenditure is capitalised to a property when it is probable that it will provide future economic benefits to the Group. All other repairs and maintenance costs are charged to Profit or Loss.

Any gain or loss arising from a change in fair value is recognised in Profit or Loss.

When sold, the net gain or loss on disposal of stabilised property is included in Profit or Loss in the period in which the sale occurred. The gain or loss on disposal is calculated as the difference between the carrying amount of the stabilised property on the Balance Sheet and the proceeds from sale net of any costs associated with the sale.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.7 Developments

2018	\$ million						Valuer	Lettable area sqm	Market cap rate %	Committed Occupancy %	WALT years
	Valuation / cost 2017	Transfers in	Net expenditure	Fair value movement	Transfers out	Valuation / cost 2018					
At fair value											
Highbrook Business Park, East Tamaki	13.0	–	3.8	2.6	(19.4)	–	–	–	–	–	–
The Gate Industry Park, Penrose	8.3	–	2.8	2.4	(13.5)	–	–	–	–	–	–
At cost											
Highbrook Business Park, East Tamaki	16.8	34.2	47.4	10.2	(57.9)	50.7	At cost	37,750	–	31	8.8
Concourse Industry Park, Henderson	–	8.6	1.7	–	–	10.3	At cost	11,098	–	–	–
Savill Link, Otahuhu	4.7	4.5	10.6	3.5	(16.8)	6.5	At cost	8,500	–	–	–
Glassworks, Christchurch	6.1	–	12.0	2.3	(20.4)	–	–	–	–	–	–
Westney Industry Park, Mangere	–	–	2.6	–	(2.6)	–	–	–	–	–	–
Total developments	48.9	47.3	80.9	21.0	(130.6)	67.5		57,348			

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.7 Developments (continued)

2017	\$ million						Valuer	Lettable area sqm	Market cap rate %	Committed Occupancy %	WALT years
	Valuation / cost 2016	Transfers in	Net expenditure	Fair value movement	Transfers out	Valuation / cost 2017					
At fair value											
Highbrook Business Park, East Tamaki	–	4.3	6.5	2.2	–	13.0	Savills	7,500	5.75	0	–
The Gate Industry Park, Penrose	–	1.3	5.9	1.1	–	8.3	CBRE	4,930	5.90	0	–
M20 Business Park, Wiri	21.0	–	0.8	–	(21.8)	–	–	–	–	–	–
At cost											
Highbrook Business Park, East Tamaki	29.6	12.6	51.0	14.2	(90.6)	16.8	At cost	15,052	–	57	4.9
Savill Link, Otahuhu	7.5	3.0	18.9	2.1	(26.8)	4.7	At cost	7,410	–	100	15.0
Glassworks, Christchurch	–	4.3	1.8	–	–	6.1	At cost	9,600	–	100	15.0
M20 Business Park, Wiri	4.4	–	2.4	0.9	(7.7)	–	–	–	–	–	–
The Gate Industry Park, Penrose	1.3	–	–	–	(1.3)	–	–	–	–	–	–
Total developments	63.8	25.5	87.3	20.5	(148.2)	48.9		44,492			

Accounting policies

Developments are properties that are being constructed for future use as stabilised property. They are classified as developments and initially recorded at cost of acquisition, construction or development. All costs directly associated with the purchase and construction of developments and all subsequent capital expenditure for developments are capitalised.

Holding costs are capitalised if they are directly attributable to the acquisition or development of a property. The most significant component of holding costs is borrowing costs. Capitalisation of borrowing costs commences when the activities to prepare the property for its intended use are in progress and expenditures and borrowing costs are being incurred. The amount capitalised is determined by applying the weighted average cost of debt to borrowings attributed to the development. Capitalisation of borrowing costs will continue until the development of the property is completed.

If the fair value of a development can be reliably determined during the course of its construction, then the development will be recorded at fair value in the same manner as stabilised properties.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.8 Land

2018	\$ million						Valuer	Net land area sqm
	Valuation 2017	Acquisitions	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2018		
Highbrook Business Park, East Tamaki	132.0	–	8.6	(34.2)	(5.4)	101.0	Colliers	188,763
Savill Link, Otahuhu	13.4	2.3	0.8	(4.5)	(0.1)	11.9	CBRE	37,391
M20 Business Park, Wiri	6.3	–	0.4	–	(0.1)	6.6	JLL	18,770
The Gate Industry Park, Penrose	0.4	–	0.1	–	–	0.5	CBRE	2,592
Glassworks, Christchurch	2.6	–	0.5	(3.1)	–	–	–	–
Greenlane Office, Auckland	20.0	–	0.8	(20.8)	–	–	–	–
Selwood, Henderson	–	8.6	–	(8.6)	–	–	–	–
Total land	174.7	10.9	11.2	(71.2)	(5.6)	120.0		247,516

Included within net expenditure is \$8.2 million of capitalised borrowing costs (2017: \$11.4 million).

2017	\$ million						Valuer	Net land area sqm
	Valuation 2016	Acquisitions	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2017		
Highbrook Business Park, East Tamaki	158.1	–	10.2	(14.8)	(21.5)	132.0	Colliers	291,314
Savill Link, Otahuhu	15.1	1.5	1.0	(3.0)	(1.2)	13.4	CBRE	44,806
M20 Business Park, Wiri	6.1	–	0.8	–	(0.6)	6.3	JLL	18,770
The Gate Industry Park, Penrose	0.5	–	0.2	–	(0.3)	0.4	CBRE	2,592
Glassworks, Christchurch	8.1	–	1.3	(5.6)	(1.2)	2.6	CBRE	13,660
Greenlane Office, Auckland & Show Place, Christchurch	25.4	–	2.1	(6.0)	(1.5)	20.0	Colliers	16,841
Total land	213.3	1.5	15.6	(29.4)	(26.3)	174.7		387,983

Accounting policies

Land is recorded initially at cost, including related transaction costs. After initial recording, land is carried at fair value. Land is independently valued at least annually, with any changes in valuation recognised in Profit or Loss.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

1. Investment property (continued)

1.9 Investment property contracted for sale

2018	\$ million					
	Carrying value 2017	Transfers in	Net expenditure	Fair value movement	Settlements	Carrying value 2018
Greenlane Office, Auckland	–	228.1	–	(20.3)	–	207.8
Glassworks, Christchurch	7.7	23.5	–	(0.4)	–	30.8
Total investment property contracted for sale	7.7	251.6	–	(20.7)	–	238.6

2017	\$ million					
	Carrying value 2016	Transfers in	Net expenditure	Fair value movement	Settlements	Carrying value 2017
Glassworks, Christchurch	–	8.5	–	(0.8)	–	7.7
Connect Office, Penrose	40.9	–	–	–	(40.9)	–
Connect Industrial Estate, Penrose	2.9	–	–	–	(2.9)	–
Millennium Centre, Greenlane	–	195.9	–	14.1	(210.0)	–
Total investment property contracted for sale	43.8	204.4	–	13.3	(253.8)	7.7

Accounting policies

Investment property contracted for sale is recorded at the contracted sale price, with this being the best indicator of fair value.

1.10 Construction loan

A construction loan was provided by GMT to The Fletcher Construction Company (Fanshawe Street) Limited, whose ultimate parent is Fletcher Building Limited. The advances made were used to fund the development of the Datacom building acquired by a subsidiary of the Trust's joint venture, Wynyard Precinct Holdings Limited. Acquisition occurred on completion of the building in May 2017, at which time the loan was repaid. The loan incurred a market rate of interest for a loan of its type and was guaranteed by Fletcher Building Limited.

Significant transactions

On 12 May 2017 the construction loan was repaid by The Fletcher Construction Company (Fanshawe Street) Limited.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

2. Investment in joint venture

GMT owns 51% of Wynyard Precinct Holdings Limited (“WPHL” or the “joint venture”), with the remaining 49% owned by GIC, Singapore’s sovereign wealth fund. The shareholders’ agreement of WPHL ensures that joint control is maintained via equal board representation, with GMT unable to unilaterally direct the joint venture. Properties owned by WPHL are managed by Goodman Property Services (NZ) Limited (“GPSNZ”) on a similar basis to how GPSNZ manages GMT’s wholly owned properties.

Subsequent event

In May 2018, the shareholders of Wynyard Precinct Holdings Limited, the joint venture between GMT and GIC, agreed to the sale of all of the shares of WPHL to Blackstone for a purchase price of \$289.3 million, with the price based on a property portfolio value of \$635.0 million. The transaction includes full repayment of shareholder loans advanced to the joint venture and is expected to result in a gain of approximately \$31.4 million on disposal of GMT’s equity accounted investment in WPHL. This gain is based on property valuations as at 31 March 2018. The sale is conditional upon Overseas Investment Office approval and freehold land owner approval, and is expected to settle late in the 2019 financial year.

2.1 WPHL Profit or Loss

\$ million	WPHL		GMT share at 51%	
	2018	2017	2018	2017
Net property income	36.0	25.4		
Net interest costs	(15.7)	(8.8)		
Administrative expenses	(0.2)	(0.2)		
Operating earnings before other income / (expenses) and tax	20.1	16.4	10.3	8.4
Other income / (expenses) and tax				
Movement in fair value of investment properties	44.2	–		
Movement in fair value of derivative financial instruments	(0.6)	1.1		
Manager’s base fee	(1.6)	(1.1)		
Income tax on operating earnings	(1.3)	(1.1)		
Deferred tax	(0.3)	(1.7)		
Other income / (expenses) and tax	40.4	(2.8)	20.6	(1.4)
Profit after tax	60.5	13.6	30.9	7.0

Accounting policies

The joint venture is accounted for using the equity method. Accounting policies of the joint venture are aligned with policies of GMT.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

2. Investment in joint venture (continued)

2.3 WPHL Stabilised properties

Office park VXV Precinct Office Park, Auckland	\$ million						Valuer	Net lettable area sqm	Market cap rate %	Occupancy %	WALT years
	Opening valuation	Acquisitions	Net expenditure	Fair value movement	Disposals	Closing valuation					
Year ended 31 March 2018	324.1	151.0	24.2	44.2	–	543.5	CBRE, Colliers	88,222	6.6	99	10.0
Year ended 31 March 2017	317.1	–	7.0	–	–	324.1	CBRE, Colliers	62,366	7.3	100	8.9

Significant transactions

During the year WPHL settled the acquisitions of the Datacom building for \$88.3 million and Bayleys House for \$62.3 million (excluding acquisition costs).

2.4 WPHL Borrowings

\$ million	2018				2017			
	Facility	Expiry	Drawn	Undrawn	Facility	Expiry	Drawn	Undrawn
Total bank facilities	112.0	September 2019	112.0	–	157.0	April 2017 – September 2019	157.0	–

WPHL's bank facility is provided by Westpac New Zealand Limited ("Westpac"). At 31 March 2018 it had a weighted average term to expiry of 1.5 years (2017: 1.8 years). This facility is secured over the assets and undertakings of the WPHL joint venture and is non-recourse to WPHL's shareholders. The WPHL joint venture has given a negative pledge which provides that it will not create or permit any security interest over its assets. The principal financial ratios which must be met are the ratio of earnings before interest and tax to interest expense, and the ratio of financial indebtedness to the value of the property portfolio.

Significant transactions

During the year WPHL's shareholders provided advances to the company of \$45.0 million to enable it to repay \$45.0 million of maturing bank borrowings to Westpac.

WPHL's shareholders also advanced \$155.9 million during the year to enable the company to purchase the Datacom building, purchase Bayleys House and fund other capital expenditure.

Notes to the Financial Statements (continued)
For the year ended 31 March 2018

2. Investment in joint venture (continued)

2.5 WPHL Cash flows

\$ million	WPHL	
	2018	2017
Cash flows from operating activities		
Property income received	44.7	35.8
Property expenses paid	(18.0)	(15.0)
Net interest costs paid	(15.7)	(7.9)
Other operating cash flows	(3.0)	(3.2)
Net cash flows from operating activities	8.0	9.7
Cash flows from investing activities		
Acquisition of investment properties	(150.0)	–
Capital expenditure payments for investment properties	(11.2)	(1.6)
Net cash flows from investing activities	(161.2)	(1.6)
Cash flows from financing activities		
Investments by shareholders	–	10.0
Proceeds from borrowings	–	4.0
Repayment of borrowings	(45.0)	(3.5)
Advances from shareholders	200.9	–
Repayments to shareholders	–	(10.0)
Distributions paid to shareholders	(1.0)	(9.0)
Net cash flows from financing activities	154.9	(8.5)
Net movement in cash	1.7	(0.4)
Cash at the beginning of the year	0.4	0.8
Cash at the end of the year	2.1	0.4

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

3. Borrowings

3.1 Interest

\$ million	2018	2017
Interest income		
Interest income	7.2	5.7
Total interest income	7.2	5.7
Interest costs		
Interest expense	(34.1)	(37.5)
Amortisation of borrowing costs	(4.1)	(4.2)
Borrowing costs capitalised ⁽¹⁾	12.3	18.0
Total interest cost	(25.9)	(23.7)
Net interest cost	(18.7)	(18.0)

⁽¹⁾ Borrowing costs of \$8.2 million were capitalised to land (2017: \$11.4 million).

Accounting policies

Interest costs charged on borrowings are recognised as incurred. Costs associated with the establishment of borrowings are amortised over the term of the relevant borrowings.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

3. Borrowings (continued)

3.2 Borrowings

\$ million	2018	2017
Current		
Wholesale bonds	–	45.0
Total current borrowings	–	45.0
Non-current		
Syndicated bank facility	262.0	293.0
Retail bonds	400.0	200.0
US Private Placement notes – New Zealand dollar amount on inception ⁽¹⁾	156.8	156.8
Total non-current	818.8	649.8
US Private Placement notes – foreign exchange translation impact ⁽¹⁾	9.0	14.4
Unamortised borrowings establishment costs	(4.2)	(4.4)
Total non-current borrowings	823.6	659.8
Total borrowings	823.6	704.8

⁽¹⁾US Private Placement notes comprise \$156.8 million for funds received at the borrowing date and \$9.0 million for the foreign exchange translation impact (2017: \$14.4 million). These borrowings are fully hedged and GMT takes no currency risk on interest and principal payments.

Accounting policies

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are carried at amortised cost using the effective interest method.

Notes to the Financials Statements (continued)

For the year ended 31 March 2018

3. Borrowings (continued)

3.3 Composition of borrowings

2018	Date issued	Expiry	Weighted average remaining term (years)	Interest rate %	\$ million	
					Facility drawn / Amount	Undrawn facility
Syndicated bank facilities	–	October 2019 – October 2021	2.5	Floating	262.0	188.0
Retail bonds – GMB020	December 2013	December 2020	2.7	6.20	100.0	–
Retail bonds – GMB030	June 2015	June 2022	4.2	5.00	100.0	–
Retail bonds – GMB040	May 2017	May 2024	6.2	4.54	100.0	–
Retail bonds – GMB050	March 2018	September 2023	5.4	4.00	100.0	–
US Private Placement notes	June 2015	June 2025	7.2	3.46	US\$40.0	–
US Private Placement notes	June 2015	June 2027	9.2	3.56	US\$40.0	–
US Private Placement notes	June 2015	June 2030	12.2	3.71	US\$40.0	–

2017	Date issued	Expiry	Weighted average remaining term (years)	Interest rate %	\$ million	
					Facility drawn / Amount	Undrawn facility
Syndicated bank facilities	–	October 2018 – October 2021	3.0	Floating	293.0	307.0
Retail bonds – GMB020	December 2013	December 2020	3.7	6.20	100.0	–
Retail bonds – GMB030	June 2015	June 2022	5.2	5.00	100.0	–
Wholesale bonds	September 2010	September 2017	0.4	7.58	45.0	–
US Private Placement notes	June 2015	June 2025	8.2	3.46	US\$40.0	–
US Private Placement notes	June 2015	June 2027	10.2	3.56	US\$40.0	–
US Private Placement notes	June 2015	June 2030	13.2	3.71	US\$40.0	–

As at 31 March 2018 a \$450.0 million (31 March 2017: \$600.0 million) syndicated bank facility was provided to the Trust by ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia, Westpac New Zealand Limited (each providing \$101.25 million; 31 March 2017: each providing \$135.0 million) and The Hongkong and Shanghai Banking Corporation Limited (providing \$45.0 million; 31 March 2017: providing \$60.0 million).

As at 31 March 2018, GMT's borrowing facilities had a weighted average remaining term of 4.5 years (2017: 4.4 years), with 68% being drawn from non-bank sources (2017: 58%).

Significant transactions

In May 2017, GMT issued a new \$100.0 million retail bond with a 7 year term expiring May 2024, paying an interest rate of 4.54%.

In September 2017, GMT repaid \$45.0 million of wholesale bonds.

In March 2018, GMT issued a new \$100.0 million retail bond with a 5.5 year term expiring September 2023, paying an interest rate of 4.00%.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

3. Borrowings (continued)

3.4 Security and covenants

All borrowing facilities are secured on an equal ranking basis over the assets of the wholly-owned subsidiaries of Goodman Property Trust. A loan to value ratio covenant restricts total borrowings incurred by the Group to 50% of the value of the secured property portfolio.

The Group has given a negative pledge to not create or permit any security interest over its assets. The principal financial ratios which must be met are the ratio of earnings before interest, tax, depreciation and amortisation to interest expense, and the ratio of financial indebtedness to the value of the property portfolio. Further negative and positive undertakings have been given as to the nature of the Group's business.

3.5 Loan to value ratio calculation

The loan to value ratio ("LVR") is a non-GAAP metric used to measure the strength of GMT's Balance Sheet. The LVR calculation is set out in the table below. The GMT look-through LVR incorporates GMT's 51% share of WPHL and is the measure utilised by management when considering the Trust's LVR.

\$ million	2018			2017		
	GMT	WPHL @ 51%	GMT look-through	GMT	WPHL @ 51%	GMT look-through
Total borrowings	823.6	57.1	880.7	704.8	80.0	784.8
US Private Placement notes – foreign exchange translation impact	(9.0)	–	(9.0)	(14.4)	–	(14.4)
Cash	(4.7)	(1.1)	(5.8)	(0.9)	(0.2)	(1.1)
Investment property contracted for sale – settlement proceeds due	(238.6)	–	(238.6)	(7.7)	–	(7.7)
Borrowings for LVR calculation	571.3	56.0	627.3	681.8	79.8	761.6
Investment property	2,231.0	277.2	2,508.2	2,249.3	165.3	2,414.6
Other investments	–	–	–	12.0	–	12.0
Construction loan receivable	–	–	–	65.1	–	65.1
Assets for LVR calculation	2,231.0	277.2	2,508.2	2,326.4	165.3	2,491.7
Loan to value ratio %	25.6	20.2	25.0	29.3	48.3	30.6

3.6 Weighted average cost of borrowings

The weighted average cost of borrowings is a non-GAAP measure that represents the weighted average interest rate paid on borrowings after all costs, taking account of the effect of interest rate hedging.

	2018	2017
Weighted average cost of borrowings %	5.0	5.0

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

4. Units, earnings per unit and distributions

Issued units represent capital contributed to GMT by unitholders. Distributions are paid to GMT unit holders when approved by the Board of the Manager.

4.1 Issued units

	Issued units (million)		Value (\$ million)	
	2018	2017	2018	2017
Balance at the beginning of the year	1,280.2	1,273.1	1,398.7	1,389.5
Manager's base fee reinvested	7.6	7.1	10.0	9.2
Balance at the end of the year	1,287.8	1,280.2	1,408.7	1,398.7

Accounting policies

Units are classified as equity. If new units are issued in the year, any external costs, net of tax, directly attributable to the issue are deducted from the proceeds received.

GMT receives fund management services from GNZ and pays GNZ a management fee (the "base fee"). Other than in limited circumstances as set out in the Trust Deed, GNZ is required to use its base fee to invest in newly issued units in GMT. The fee arrangements are considered a share based payment. GMT recognises fees for management services at the time those services are provided. Fees are paid six monthly in arrears, and the proceeds immediately reinvested. The fee not yet paid and reinvested is reflected within the unit based payments reserve until such time as it has been settled.

4.2 Earnings per unit

Earnings per unit is calculated as profit after tax divided by the weighted number of issued units for the year. Operating earnings is a non-GAAP financial measure included to provide an assessment of the performance of GMT's principal operating activities. The calculation of operating earnings before other income / (expenses) and tax is set out in Profit or Loss, with a reconciliation of operating earnings after tax as follows:

\$ million	2018	2017
Operating earnings before other income / (expenses) and tax	119.1	121.7
Income tax on operating earnings	(16.9)	(15.2)
Income tax on operating earnings of joint venture	(0.6)	(0.5)
Operating earnings after tax	101.6	106.0

Weighted units for the Manager's base fee reinvested are included as the services are rendered. There are no other weighted units.

million	Weighted units	
	2018	2017
Issued units at the beginning of the year	1,280.2	1,273.1
Manager's base fee	7.6	7.2
Weighted units	1,287.8	1,280.3

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

4. Units, earnings per unit and distributions (continued)

4.2 Earnings per unit (continued)

cents per unit	2018	2017
Operating earnings per unit before tax	9.25	9.51
Operating earnings per unit after tax	7.89	8.28
Basic and diluted earnings per unit after tax	15.06	16.70

4.3 Net tangible assets

Diluted units, comprising issued units plus deferred units not yet issued, are used to calculate net tangible assets per unit

million	Diluted units	
	2018	2017
Issued units	1,287.8	1,280.2
Deferred units for Manager's base fee expected to be reinvested	4.0	4.1
Diluted units	1,291.8	1,284.3

	2018	2017
Net tangible assets (\$ million)	1,793.7	1,674.9
Net tangible assets per unit (cents)	138.9	130.4

4.4 Distributions

	2018	2017
Distributions relating to the period (cents per unit)	6.65	6.65
Distributions paid in the period (cents per unit)	6.65	6.65
Distributions relating to the period (\$ million)	85.5	85.0
Distributions paid in the period (\$ million)	85.5	85.0

Accounting policies

Distributions are recognised in equity in the period in which they are paid.

Subsequent event

On 28 May 2018 a cash distribution of 1.6625 cents per unit with 0.3180 cents per unit of imputation credits attached was declared. The record date for the distribution is 12 June 2018 and payment will be made on 21 June 2018.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

5. Derivative financial instruments

Derivative financial instruments are used to manage exposure to interest rate risks and foreign exchange risks arising from GMT's borrowings.

5.1 Movement in fair value of financial instruments

\$ million	2018	2017
Interest rate derivatives	(3.0)	6.3
Cross currency interest rate derivatives relating to US Private Placement notes	(10.9)	(11.2)
Total movement in fair value of derivative financial instruments	(13.9)	(4.9)
Foreign exchange rate movement on US Private Placement notes	5.4	2.4
Total movement in fair value of financial instruments	(8.5)	(2.5)

Accounting policies

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. Derivative financial instruments are classified as current or non-current based on their date of maturity.

Movements in the fair value of derivative financial instruments are recognised through Profit or Loss. GMT does not apply hedge accounting.

Key judgement

The fair values of derivative financial instruments are determined from valuations using Level 2 valuation techniques (2017: Level 2). These are based on the present value of estimated future cash flows, taking account of the terms and maturity of each contract and the current market interest rates at reporting date. Fair values also reflect the creditworthiness of the derivative counterparty and GMT at balance date. The valuations were based on market rates at 31 March 2018 of between 1.93% (2017: 1.99%) for the 90 day BKBM and 3.06% (2017: 3.46%) for the 10 year swap rate. There were no changes to these valuation techniques during the period.

5.2 Derivative financial instruments

\$ million	2018	2017
Cross currency interest rate derivatives		
Non-current assets	–	9.7
Non-current liabilities	(1.2)	–
Interest rate derivatives		
Current assets	–	0.6
Non-current assets	8.9	9.2
Non-current liabilities	(17.5)	(18.2)
Net derivative financial instruments	(9.8)	1.3

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

5. Derivative financial instruments (continued)

5.3 Additional derivative information

	2018	2017
Cross currency interest rate derivatives		
Notional contract value as receiver (\$ million)	156.8	156.8
Percentage of US Private Placement notes borrowings converted to floating rate NZD payments (%)	100	100
Weighted average term to maturity (years)	9.5	10.5
Interest rate derivatives		
Notional contract value as payer (\$ million)	495.0	520.0
Notional contract value as receiver (\$ million)	200.0	195.0
Percentage of borrowings fixed (%)	60	74
Interest rate range (%)	2.7 – 5.0	2.7 – 5.0
Weighted average term to maturity (years)	4.5	5.0

6. Administrative expenses

Administrative expenses are incurred to manage the operational activity of GMT. Excluded from administrative expenses categorised within operating earnings is the Manager's base fee, which is expected to be used to reinvest in GMT units when payment of the fee occurs.

6.1 Administrative expenses included within operating earnings

\$ million	2018	2017
Valuation fees	(0.6)	(0.6)
Auditor's fees	(0.2)	(0.2)
Trustee fees	(0.3)	(0.3)
Other costs	(1.5)	(1.8)
Total administrative expenses included within operating earnings	(2.6)	(2.9)

6.2 Auditor's fees

Auditor's fees detailed below are in whole dollars.

\$ million	2018	2017
Audit and review of financial statements	(0.2)	(0.2)
Other assurance related services	–	–
Total auditor's fees	(0.2)	(0.2)

Other assurance related services

Fees for other assurance related services of \$7,000 (2017: \$15,000) comprise work performed on the financial covenants of the bank facilities and the performance fee calculation.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

6. Administrative expenses (continued)

6.3 Administrative expenses incurred but not included within operating earnings

These expenses, while excluded from GMT's non-GAAP operating earnings measure, are included in other income / (expenses) within Profit or Loss.

\$ million	2018	2017
Manager's base fee expected to be reinvested in units	(8.3)	(7.7)
Total administrative expenses incurred but not included within operating earnings	(8.3)	(7.7)

7. Debtors and other assets

\$ million	2018	2017
Current		
Debtors	0.3	0.7
Prepayments	0.2	1.3
Interest receivable	2.3	8.0
Other assets	6.5	3.4
Total debtors and other assets	9.3	13.4

Accounting policies

Debtors and other assets are initially recognised at fair value and subsequently measured at amortised cost. They are adjusted for expected impairment losses. Discounting is not applied to receivables where collection is expected to occur within the next twelve months.

A provision for impairment is recognised when there is objective evidence that GMT will be unable to collect amounts due. The amount provided is the difference between the carrying amount and expected recoverable amount. There were no provisions for impairment in the year (2017: none).

8. Creditors and other liabilities

\$ million	2018	2017
Current		
Creditors	0.3	0.5
Interest payable	7.1	5.3
Related party payables	0.5	2.1
Accrued capital expenditure	27.0	15.4
Other liabilities	14.3	4.3
Total creditors and other liabilities	49.2	27.6

Accounting policies

Creditors and other liabilities are initially recognised at fair value and subsequently measured at amortised cost. All payments are expected to be made within the next twelve months.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

9. Tax

9.1 Tax expense

\$ million	2018	2017
Profit before tax	207.2	220.5
Tax at 28%	(58.0)	(61.7)
Depreciation of investment property	5.7	5.2
Movement in fair value of investment property	23.5	32.1
Disposal of investment property	0.6	1.3
Deductible net expenditure for investment property	5.2	6.7
Share of joint venture net profit less dividends received	8.6	2.0
Derivative financial instruments	(2.4)	(1.5)
Other	(0.1)	0.7
Current tax on operating earnings	(16.9)	(15.2)
Depreciation recovery income for property sold and settled	(0.4)	(6.3)
Settlement of derivative financial instruments	0.8	3.7
Current tax on non-operating earnings	0.4	(2.6)
Current tax	(16.5)	(17.8)
Depreciation of investment property	(0.4)	(1.0)
Reduction of liability in respect of depreciation recovery income	3.7	11.5
Deferred expenses	(1.6)	2.0
Derivative financial instruments	1.5	(1.5)
Borrowing issue costs	0.1	0.1
Deferred tax	3.3	11.1
Total tax	(13.2)	(6.7)

Current tax on operating earnings is a non-GAAP measure included to provide an assessment of current tax for GMT's principal operating activities.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

9. Tax (continued)

9.1 Tax expense (continued)

Accounting policies

Tax expense for the year comprises current and deferred tax recognised in Profit or Loss.

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

Deferred tax is provided in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not accounted for if it arises from the initial recognition of assets or liabilities in a transaction, other than a business combination, that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

9.2 Deferred tax

\$ million	2018	2017
Deferred tax assets		
Derivative financial instruments	5.2	3.7
Total deferred tax assets	5.2	3.7
Deferred tax liabilities		
Investment properties – depreciation recoverable	(21.5)	(24.8)
Investment properties – deferred expenses	(8.7)	(7.1)
Borrowings issue costs	(0.4)	(0.5)
Total deferred tax liabilities	(30.6)	(32.4)
Net deferred tax	(25.4)	(28.7)

Key judgement

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For deferred tax liabilities potentially arising on investment property measured at fair value there is a rebuttable presumption that the carrying amount of the investment property asset will be recovered through sale. In estimating this deferred tax liability, the Group has made reference to the Manager's experience of tax depreciation recovered when properties of a similar nature have been sold.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

10. Related party disclosures

As a Unit Trust, GMT does not have any employees. Consequently services that the Group requires are provided for under arrangements governed by GMT's Trust Deed, or by contractual arrangements. The Trust has related party relationships with the following parties.

Entity		Nature of relationship
Goodman (NZ) Limited	GNZ	Manager of the Trust
Goodman Property Services (NZ) Limited	GPSNZ	Provider of property management, development management and related services to the Trust and to its joint venture
Goodman Investment Holdings (NZ) Limited	GIH	Unitholder in GMT
Goodman Limited	GL	Parent entity of GNZ, GPSNZ, GIH & GWP
Goodman Industrial Trust	GIT	Property co-owner with GMT
Wynyard Precinct Holdings Limited	WPHL	Joint venture between GMT and GIC, Singapore's sovereign wealth fund
Goodman (Wynyard Precinct) Limited	GWP	Developer of Bayleys House acquired by the WPHL joint venture

10.1 Transactions with related parties other than WPHL

\$ million	Related party	Recorded		Capitalised		Outstanding	
		2018	2017	2018	2017	2018	2017
Manager's base fee	GNZ	(9.4)	(9.4)	1.1	1.7	(5.3)	(5.0)
Manager's performance fee	GNZ	–	–	–	–	–	–
Property management fees ⁽¹⁾	GPSNZ	(3.5)	(3.4)	–	–	–	(0.3)
Leasing fees	GPSNZ	(2.0)	(1.3)	–	–	(0.4)	(0.1)
Acquisition and disposal fees	GPSNZ	(0.3)	(2.0)	–	–	–	(1.2)
Minor project fees	GPSNZ	(0.7)	(1.1)	0.7	1.1	–	–
Development management fees	GPSNZ	(4.9)	(6.3)	4.9	6.3	–	(0.4)
Total fees		(20.8)	(23.5)	6.7	9.1	(5.7)	(7.0)
Reimbursement of expenses for services provided	GPSNZ	(1.5)	(1.7)	0.1	0.1	(0.1)	(0.1)
Total reimbursements		(1.5)	(1.7)	0.1	0.1	(0.1)	(0.1)
Land acquisition – Savill Link	GIT	(2.3)	(1.5)	2.3	1.5	–	–
Total capital transactions		(2.3)	(1.5)	2.3	1.5	–	–
Issue of units for Manager's base fee reinvested	GIH	9.9	9.2	–	–	–	–
Total issue of units for Manager's base fee reinvested		9.9	9.2	–	–	–	–
Distributions paid	GIH	(18.0)	(17.5)	–	–	–	–
Total distributions paid		(18.0)	(17.5)	–	–	–	–

⁽¹⁾Of the property management fees charged by GPSNZ, \$3.1 million was paid by customers and was not a cost borne by GMT (2017: \$3.3 million).

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

10. Related party disclosures (continued)

10.2 Transactions with WPHL

\$ million	Related party	Recorded		Capitalised		Outstanding	
		2018	2017	2018	2017	2018	2017
Investment in joint venture	WPHL	(13.3)	(5.1)	–	–	–	–
(Advances to) / repayments from joint venture	WPHL	(89.1)	5.1	–	–	(107.5)	(18.4)
Interest income received from joint venture	WPHL	5.8	1.5	–	–	–	0.3
Funding fee received from joint venture	WPHL	0.1	1.3	–	–	–	1.9
Dividends received from joint venture	WPHL	0.5	4.6	–	–	–	–

Advances to WPHL are unsecured and subordinated to WPHL's bank debt. They are repayable on demand and incur a market rate of interest for advances of this type.

Significant transactions

Advances to the joint venture were provided in the period to enable WPHL to repay \$45.0 million of maturing bank borrowings, settle the acquisition of the Datacom building for \$88.3 million, settle the acquisition of Bayleys House for \$62.3 million and fund other capital expenditure. Bayleys House was acquired by a subsidiary of WPHL from Goodman (Wynyard Precinct) Limited.

10.3 Other related party transactions

Capital transactions

Capital transactions that occur with related parties can only be approved by the independent directors of GNZ, with non-independent directors excluded from the approval process.

No properties were acquired pursuant to the Co-ownership Agreement between GMT and Goodman Industrial Trust (2017: none). This agreement was approved by unitholders at a general meeting held on 23 March 2004.

GMT purchased land at Savill Link for \$2.3 million (2017: \$1.5 million) that was co-owned via the Co-ownership Agreement between GMT and Goodman Industrial Trust.

In March 2015, GMT agreed to provide construction funding to facilitate the construction of the Datacom building acquired by the Trust's joint venture. This funding was repaid in May 2017. Refer to section 1.10 for further details.

Key management personnel

Key management personnel are those people with the responsibility and authority for planning, directing and controlling the activities of an entity. As the Trust does not have any employees or Directors, key management personnel is considered to be the Manager. All compensation paid to the Manager is disclosed within this note.

At 31 March 2018, Goodman Group, GNZ's ultimate parent, through its subsidiary Goodman Investment Holdings (NZ) Limited, held 273,248,744 units in GMT out of a total 1,287,781,937 units on issue (31 March 2017: 268,169,407 units out of a total 1,280,222,885 units).

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

10. Related party disclosures (continued)

10.4 Explanation of related party transactions

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 on 31 March) 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 (currently Standard & Poor's).

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 2018 a performance fee deficit of \$1.1 million (2017: deficit of \$16.0 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 for services provided to manage capital expenditure projects for stabilised properties.

Development management fees

Development management fees are paid 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, with these amounts reimbursed on a cost recovery basis.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

10. Related party disclosures (continued)

10.5 Additional Trust information

(a) Termination of Goodman Property Trust

GMT terminates on the earlier of:

- i. The date appointed by GNZ giving not less than three months' written notice to the unitholders and the Trustee; or
- ii. If the units are quoted, the office of trustee becomes vacant, and a new trustee is not appointed within two months of the vacancy occurring; or
- iii. The date on which GMT is terminated under the Trust Deed or by operation of law.

(b) Trustee information

Covenant Trustee Services Limited is the Trustee of Goodman Property Trust. Covenant Trustee Services Limited is paid a fee as follows:

- i. Up to \$1,500 million of total assets, a fee of \$190,000; and
- ii. Over \$1,500 million of total assets, \$190,000 plus a fee equivalent to 0.01% of total assets greater than \$1,500 million.

10.6 Other related party capital commitments

\$ million	Related party	2018	2017
Development management fees for developments in progress	GPSNZ	2.4	1.4
Funding for WPHL to acquire the Datacom building	WPHL	–	44.0
Total other related party capital commitments		2.4	45.4

11. Commitments and contingencies

11.1 Non-related party capital commitments

These commitments are amounts payable for contractually agreed services for capital expenditure. For related party capital commitments refer to note 10.6.

\$ million	2018	2017
Completion of developments	72.1	32.0
Construction loan funding to be provided to The Fletcher Construction Company (Fanshawe Street) Limited	–	1.9
Total non-related party capital commitments	72.1	33.9

11.2 Contingent liabilities

GMT has no material contingent liabilities.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

11. Commitments and contingencies (continued)

11.3 Lease commitments payable

Lease payments for ground leases that the Trust has contracted to pay in future years are set out below. These leases cannot be cancelled by the Trust.

\$ million	2018	2017
Year 1	3.2	3.2
Year 2	3.2	3.3
Year 3	3.3	3.3
Year 4	3.4	3.3
Year 5	3.4	3.4
Year 6 and later	9.9	13.3
Total	26.4	29.8

12. Other investments

At 31 March 2017, GMT held a \$12.0 million investment in units in the Millennium Centre Proportional Ownership scheme (“MCPO”) managed by Oyster Management Limited (“Oyster”), a wholly owned subsidiary of Oyster Property Group Limited. This investment was made as part of the agreement by GMT to sell the Millennium Centre to MCPO, with settlement of the sale of properties and GMT’s investment in MCPO taking place on 15 March 2018. The units owned by GMT ranked equally with all other units in the syndicate and earned GMT a minimum pre-tax cash return of 8% per annum.

During the year Oyster has repurchased the units from GMT at their original issue price.

Accounting policies

Other investments are considered an available for sale financial asset. They are recognised at fair value.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

13. Reconciliation of profit after tax to net cash flows from operating activities

\$ million	2018	2017
Profit after tax	194.0	213.8
Non-cash items:		
Movement in fair value of investment property	(83.8)	(114.7)
Disposal of investment property	(0.5)	4.3
Deferred lease incentives	(1.5)	(0.5)
Deferred leasing costs	(1.4)	(1.4)
Fixed rental income adjustments	(1.4)	(1.1)
Share of profit arising from joint venture	(30.9)	(7.0)
Issue costs and subsequent amortisation for non-bank borrowings	0.2	0.8
Movement in fair value of derivative financial instruments	8.5	2.5
Manager's base fee expected to be reinvested in units	0.3	0.7
Deferred tax	(3.3)	(11.1)
Net cash flows from operating activities before changes in assets and liabilities	80.2	86.3
Movements in working capital from:		
Trade and other receivables	1.5	(1.0)
Trade and other payables	7.1	1.9
Current tax liabilities	0.9	(1.7)
Movements working capital	9.5	(0.8)
Net cash flows from operating activities	89.7	85.5

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

14. Financial risk management

In addition to business risk associated with the Group's principal activity of investing in real estate in New Zealand, the Group is also exposed to financial risk for the financial instruments that it holds. Financial risk can be classified in the following categories; interest rate risk, credit risk, liquidity risk and capital management risk.

14.1 Financial instruments

The following items in the Balance Sheet are classified as financial instruments: Cash, debtors and other assets, advances to joint venture, the construction loan receivable, other investments, derivative financial instruments, creditors and other liabilities, and borrowings. All items are recorded at amortised cost with the exception of derivative financial instruments, which are recorded at fair value through Profit or Loss and other investments, which are recorded as available for sale.

Accounting Policies

Financial instruments are classified dependent on the purpose for which the financial instrument was acquired or assumed. Management determines the classification of its financial instruments at initial recognition between three categories:

<i>Amortised cost</i>	Instruments recorded at amortised cost are those with fixed or determined receipts / payments that are recorded at their expected value at balance date.
<i>Fair value through Profit or Loss</i>	Instruments recorded at fair value through Profit or Loss have their fair value measured via active market inputs, or by using valuation techniques if no active market exists.
<i>Available for sale</i>	Instruments are recorded as available for sale if it is highly probable that the carrying amount will be recovered through a sale transaction rather than through continuing use. They are measured at fair value.

14.2 Interest rate risk

The Group's interest rate risk arises from borrowings. The Group manages its interest rate risk in accordance with its Financial Risk Management policy. The principal objective of the Group's interest rate risk management process is to mitigate negative interest rate volatility adversely affecting financial performance.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps and interest rate caps. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed directly at fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Where the Group raises long-term borrowings at fixed rates, it may enter into fixed-to-floating interest rate swaps to enable the cash flow interest rate risk to be managed in conjunction with its floating rate borrowings.

The table below considers the direct impact to interest costs of a 25 basis point change to interest rates.

\$ million	2018	2017
Impact to net profit after tax of a 25 basis point increase in interest rates	(0.8)	(0.5)
Impact to net profit after tax of a 25 basis point decrease in interest rates	0.8	0.5

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

14. Financial risk management (continued)

14.3 Credit risk

Credit risk arises from cash, derivative financial instruments, advances to joint venture, the construction loan receivable, other investments and credit exposures to customers. For banks and financial institutions only independently credit rated parties are accepted, and when derivative contracts are entered into their credit risk is assessed. For advances to joint venture the financial performance of the joint venture is monitored and assessed. For the construction loan receivable and other investments the Group assesses credit quality, financial position and market indicators of the counterparty. For customers the Group assesses the credit quality of the customer, taking into account its financial position, past experience and any other relevant factors. The overall credit risk is managed with a credit policy that monitors exposures and ensures that the Group does not bear unacceptable concentrations of credit risk.

The Group's maximum exposure to credit risk is best represented by the total of its debtors, the construction loan receivable, other investments, advances to joint venture, derivative financial instrument assets and cash as shown in the Balance Sheet. To mitigate credit risk the Group holds security deposits, bank guarantees, parent company guarantees or personal guarantees as deemed appropriate.

14.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. The Group's approach to management of liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk through active monitoring of the Group's liquidity position and availability of borrowings from committed facilities.

The following table outlines the Group's financial liabilities by their relevant contractual maturity date. Values are the contractual undiscounted cash flows and include both principal and interest where applicable.

\$ million	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and later	Total cash flows	Carrying value
2018								
Borrowings	33.3	31.2	237.9	169.9	116.1	392.5	980.9	823.6
Derivative financial instruments	18.1	17.9	16.0	12.5	8.4	8.9	81.8	18.7
Creditors and other liabilities	49.2	–	–	–	–	–	49.2	49.2
Total	100.6	49.1	253.9	182.4	124.5	401.4	1,111.9	891.5
2017								
Borrowings	78.7	180.2	163.0	164.6	6.4	291.9	884.8	704.8
Derivative financial instruments	17.7	16.7	16.7	14.8	11.3	11.8	89.0	18.2
Creditors and other liabilities	27.6	–	–	–	–	–	27.6	27.6
Total	124.0	196.9	179.7	179.4	17.7	303.7	1,001.4	750.6

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

14. Financial risk management (continued)

14.5 Capital management risk

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence, while maximising the return to investors through optimising the mix of debt and equity. The Group meets its objectives for managing capital through its investment decisions on the acquisition, development and disposal of assets, its distribution policy and raising new equity. The Group's policies in respect of capital management are reviewed regularly by the Board of Directors of the Manager.

The Group's capital structure includes bank debt, retail bonds, wholesale bonds, US Private Placement notes and unitholders' equity. GMT's Trust Deed requires the Group's ratio of borrowings to the aggregate value of its property assets to be less than 50%. The Group complied with this requirement during this year and the prior year.

The Group has issued US Private Placement notes, retail and previously wholesale bonds, the terms of which require that the total borrowings of GMT and its subsidiaries do not exceed 50% of the value of the property portfolio on which these borrowings are secured. The Group complied with this requirement during this year and the prior year.

14.6 Fair value of financial instruments

Except for the retail and wholesale bonds and US Private Placement notes; the carrying values of all balance sheet financial instruments approximate their estimated fair value. The fair values of retail bonds, wholesale bonds and US Private Placement notes are as follows:

\$ million	Fair value hierarchy	2018	2017
Retail bonds	Level 1	416.2	211.6
Wholesale bonds	Level 2	–	45.5
US Private Placement Notes	Level 2	US\$113.7	US\$118.5

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments classified as Level 2, being the Wholesale bond and US Private Placement Notes, is measured using a present value calculation of the future cashflows using the relevant term swap rate as the discount factor.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest input to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer.

15. Operating segments

The Trust's activities are reported to the Board as a single operating segment. Therefore these financial statements are presented in a consistent manner to that reporting.

Independent auditor's report

To the unitholders of Goodman Property Trust



The financial statements comprise:

- the balance sheet as at 31 March 2018;
- the statement of profit or loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the financial statements of Goodman Property Trust (the Trust), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of assurance services relating to the performance fee calculation and agreed upon procedures relating to the financial covenants of the bank facilities. The provision of these other services has not impaired our independence as auditor of the Group.

Independent auditor's report (continued)

To the unitholders of Goodman Property Trust



Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

For the purpose of our audit, we used a threshold for overall Group materiality of \$6.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.5 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have one key audit matter being valuation of investment properties.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	\$6.5 million
How we determined it	Approximately 5% of profit before tax excluding valuation movements relating to investment properties and financial instruments.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is more reflective of the metrics against which the performance of the Group is most commonly measured.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent auditor's report (continued)

To the unitholders of Goodman Property Trust



Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We have one key audit matter being valuation of investment properties. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties Refer to note 1 of the financial statements.</p> <p>The Group's investment properties comprise office and industrial portfolios and at \$2.2 billion represented the majority of the Group's assets as at 31 March 2018.</p> <p>Investment property is carried at fair value, based on market values where available. Where market values are not available alternative valuation methods are used. Where developments are not sufficiently progressed to enable fair value to be reliably determined, they are carried at the cost spent on the development to date, less any impairment. Investment property contracted for sale is carried at the contracted sale price.</p> <p>The valuation of the Group's property portfolio is inherently subjective due to, amongst other factors, the individual nature of each property, its location and the expected future rental income for each respective property.</p> <p>The existence of significant estimation uncertainty, coupled with the fact that only a small change to individual property valuation assumptions when aggregated could result in material misstatement, is why we have given specific audit focus and attention to this area.</p> <p>The valuations were carried out by third party valuers, Colliers International New Zealand Limited, Jones Lang LaSalle Limited, CBRE Limited and Savills New Zealand Limited (the Valuers). The Valuers were engaged by the Group, and performed their work in accordance with International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The Valuers used by the Group are well-known firms, with experience in the markets in which the Group operates. The Valuers are rotated across the portfolio on a three-yearly cycle.</p> <p>In determining a property's valuation, the Valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rates and current market rent and anticipated growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole.</p> <p>The Group has adopted the assessed values determined by the Valuers.</p>	<p>External valuations We read the valuation reports and discussed the reports with each of the Valuers. We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of investment properties at 31 March 2018.</p> <p>It was evident from our discussions with management and the Valuers and our review of the valuation reports that close attention had been paid to each property's individual characteristics, its overall quality, geographic location and desirability as a whole.</p> <p>We assessed the Valuers' qualifications, expertise and their objectivity. We found no evidence to suggest that the objectivity or experience of any Valuer in their performance of the valuations was compromised.</p> <p>We carried out procedures, on a sample basis, to test whether property-specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group. For the items tested, the information was materially consistent.</p> <p>Assumptions Our work over the assumptions focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. In particular, we compared valuation metrics used by the Valuers to recent market activity. We also engaged our own in-house property valuation expert to critique and challenge the work performed and assumptions used by the Valuers.</p> <p>We concluded that the assumptions used in the valuations were supportable in light of available market evidence.</p> <p>Overall valuation estimates Because of the subjectivity involved in determining the appropriate valuations for individual properties, including the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable for an individual property to evaluate the independent property valuations. If we find an error in a property valuation or determine that the valuation is outside the reasonable range, we would evaluate the error or difference against overall materiality to determine if there is a material misstatement in the financial statements.</p> <p>The valuations adopted by the Group were all within an acceptable range. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.</p>

Independent auditor's report (continued)

To the unitholders of Goodman Property Trust



Information other than the financial statements and auditor's report

The directors of Goodman (NZ) Limited (the Manager) are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Manager for the financial statements

The directors of the Manager are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ) and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion.
- Communicate with the directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.
- Provide the directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report (continued)

To the unitholders of Goodman Property Trust



Auditor's responsibilities for the audit of the financial statements (continued)

- Determine those matters, from the matters communicated with the directors of the Manager, that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Who we report to

This report is made solely to the Trust's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:

A handwritten signature in blue ink, appearing to read 'Richard Day', is written over a faint, light blue circular watermark.

Chartered Accountants
28 May 2018

Auckland

GMT Bond Issuer Limited

Financial Statements

For the year ended 31 March 2018

The Board of GMT Bond Issuer Limited, authorised these financial statements for issue on 28 May 2018. For and on behalf of the Board:



Keith Smith
Chairman



Peter Simmonds
Chairman, Audit Committee

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Profit or loss

For the year ended 31 March 2018

\$ million	2018	2017
Interest income	15.3	11.2
Interest cost	(15.3)	(11.2)
Profit before tax	-	-
Tax	-	-
Profit after tax attributable to shareholder	-	-

There are no items of other comprehensive income, therefore profit after tax attributable to shareholder equals total comprehensive income attributable to shareholder.

Balance sheet

As at 31 March 2018

\$ million	Note	2018	2017
Non-current assets			
Advances to related parties	2	400.0	200.0
Current assets			
Interest receivable from related parties	2	5.0	3.2
Total assets		405.0	203.2
Non-current liabilities			
Borrowings	1	400.0	200.0
Current liabilities			
Interest payable on retail bonds		5.0	3.2
Total liabilities		405.0	203.2
Net assets		-	-
Equity			
Contributed equity	6	-	-
Retained earnings		-	-
Total equity		-	-

Cash flows

For the year ended 31 March 2018

\$ million	2018	2017
Cash flows from operating activities		
Interest income received	13.5	11.2
Interest costs paid	(13.5)	(11.2)
Net cash flows from operating activities	-	-
Cash flows from investing activities		
Related party advances made	(200.0)	-
Net cash flows from investing activities	(200.0)	-
Cash flows from financing activities		
Proceeds received from retail bonds	200.0	-
Net cash flows from financing activities	200.0	-
Net movement in cash	-	-
Cash at the beginning of the year	-	-
Cash at the end of the year	-	-

There are no reconciling items between profit after tax and net cash flows from operating activities.

Changes in equity

For the year ended 31 March 2018

\$ million	Contributed equity	Retained earnings	Total
As at 1 April 2016	-	-	-
Profit after tax	-	-	-
As at 31 March 2017	-	-	-
Profit after tax	-	-	-
As at 31 March 2018	-	-	-

There are no items of other comprehensive income to include within changes in equity, therefore profit after tax equals total comprehensive income.

General information

For the year ended 31 March 2018

Reporting entity

GMT Bond Issuer Limited (“the Company”) was incorporated on 5 November 2009. The address of its registered office is Level 2, 18 Viaduct Harbour Avenue, Auckland. GMT Bond Issuer Limited is an issuer for the purposes of the Financial Reporting Act 2013 as its issued debt securities are listed on the New Zealand Debt Exchange (“NZDX”). GMT Bond Issuer Limited is a registered company under the Companies Act 1993.

GMT Bond Issuer Limited is a profit-oriented company incorporated and domiciled in New Zealand. The Company was incorporated to undertake issues of debt securities with the purpose of on lending the proceeds to Goodman Property Trust (“GMT”) by way of interest bearing advances.

Basis of preparation and measurement

The principal accounting policies applied in the preparation of the financial report are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”), comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements also comply with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on the historic cost basis.

The financial statements are in New Zealand dollars, the Company’s functional currency.

Significant estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods affected.

Significant accounting policies

Interest income

Interest income from advances to related parties is recognised using the effective interest method.

Interest cost

Interest expense charged on borrowings is recognised as incurred using the effective interest method.

Advances to related parties

Advances to related parties are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method.

Interest receivable from related parties

These amounts represent the fair value of interest income recognised but not yet due for payment. Due to the short term nature of the receivables the recoverable value represents the fair value.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are carried at amortised cost using the effective interest method.

Interest payable

Interest payable represents interest costs recognised as an expense but not yet due for payment.

General information (continued)

For the year ended 31 March 2018

Financial risk management

Financial instruments are classified dependent on the purpose for which the financial instrument was acquired or assumed. Management determines the classification of its financial instruments at initial recognition between two categories:

<i>Amortised cost</i>	Instruments recorded at amortised cost are those with fixed or determined receipts / payments that are recorded at their expected value at balance date.
<i>Fair value through Profit or Loss</i>	Instruments recorded at fair value through Profit or Loss have their fair value measured via active market inputs, or by using valuation techniques if no active market exists.

Changes in accounting policy

There have been no changes in accounting policies made during the financial year.

New accounting standards not yet effective

The following new standards, amendments to existing standards and interpretations expected to have an impact on the Company have not been early adopted in these financial statements:

<i>NZ IFRS 9 Financial Instruments</i>	<p>This standard will eventually replace NZ IAS 39 Financial Instruments – Recognition and Measurement. It addresses the classification, measurement and recognition of financial assets and financial liabilities, through a simplified mixed measurement model. It is required to be adopted in the financial statements for the year ending 31 March 2019.</p> <p>The Company has assessed the impact of this standard and no significant changes are expected to the recognition and reporting of financial instruments compared to existing accounting policies.</p>
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Notes to the Financials Statements

For the year ended 31 March 2018

1. Borrowings

1.1 Composition of borrowings

	Carried at	Date issued	Maturity	Interest rate %	2018 \$ million	2017 \$ million
Retail bonds – GMB020	Amortised cost	December 2013	December 2020	6.20	100.0	100.0
Retail bonds – GMB030	Amortised cost	June 2015	June 2022	5.00	100.0	100.0
Retail bonds – GMB040	Amortised cost	May 2017	May 2024	4.54	100.0	–
Retail bonds – GMB050	Amortised cost	March 2018	September 2023	4.00	100.0	–
Total					400.0	200.0

Significant transactions

In May 2017, the Company issued a 7 year \$100.0 million retail bond paying 4.54% interest per annum, maturing in May 2024. In March 2018, the Company issued a 5 ½ year \$100.0 million retail bond paying 4.00% interest per annum, maturing in September 2023. Proceeds from the issue of these bonds were received by Computershare Investor Services Limited as registrar for, and on behalf of, GMT Bond Issuer Limited.

1.2 Security and covenants

All borrowing facilities are secured on an equal ranking basis over the assets of the wholly-owned subsidiaries of the Company's parent entity, Goodman Property Trust. A loan to value covenant restricts total borrowings incurred by the Goodman Property Trust Group to 50% of the value of the secured property portfolio.

The Goodman Property Trust Group has given a negative pledge which provides that it will not create or permit any security interest over its assets. The principal financial ratio which must be met is the ratio of financial indebtedness to the value of the property portfolio. Further negative and positive undertakings have been given as to the nature of the Goodman Property Trust Group's business.

2. Advances to related parties

GMT Bond Issuer Limited is a wholly-owned subsidiary of Goodman Property Trust. All members of the Goodman Property Trust Group are considered to be related parties of the Company.

2.1 Composition of advances to related parties

	Carried at	Date issued	Maturity	Interest rate %	2018 \$ million	2017 \$ million
Advance made to Goodman Property Trust in December 2013	Amortised cost	December 2013	December 2020	6.20	100.0	100.0
Advance made to Goodman Property Trust in June 2015	Amortised cost	June 2015	June 2022	5.00	100.0	100.0
Advance made to Goodman Property Trust in May 2017	Amortised cost	May 2017	May 2024	4.54	100.0	–
Advance made to Goodman Property Trust in March 2018	Amortised cost	March 2018	September 2023	4.00	100.0	–
Total					400.0	200.0

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

2. Advances to related parties (continued)

2.2 Guarantee

Covenant Trustee Services Limited (as Trustee for Goodman Property Trust) has entered into a guarantee under which Goodman Property Trust unconditionally and irrevocably guarantees all of the obligations of GMT Bond Issuer Limited under its Bond Trust Documents.

3. Administrative expenses

Goodman Property Trust, the Company's parent, paid all fees for audit services provided to the Company (2018: \$6,200, 2017: \$6,000).

4. Commitments and contingencies

4.1 Capital commitments payable

GMT Bond Issuer Limited has no capital commitments.

4.2 Contingent liabilities

GMT Bond Issuer Limited has no material contingent liabilities.

5. Financial risk management

The Company is exposed to financial risk for the financial instruments that it holds. Financial risk can be classified in the following categories; interest rate risk, credit risk, liquidity risk and capital management risk.

The Board has delegated to the Goodman (NZ) Limited Audit Committee the responsibility to review the effectiveness and efficiency of management processes, risk management and internal financial controls and systems as part of their duties.

5.1 Financial instruments

The following items in the Balance Sheet are classified as financial instruments: Advances to related parties, interest receivable from related parties, borrowings and interest payable. All items are recorded at amortised cost.

5.2 Interest rate risk

Interest rate risk is the risk that the value or future value of cash flows of a financial instrument will fluctuate because of changes in interest rates. The Board is responsible for the management of the interest rate risk arising from the external borrowings.

To mitigate interest rate risk all advances to related parties have fixed interest rates receivable that match the fixed interest rates payable on borrowings.

5.3 Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time, or from losses arising from the change in value of a trading financial instrument as a result of changes in credit risk of that instrument.

The Company's exposure to credit risk is limited to deposits held with banks and credit exposure for the advances to related parties.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates. All financial assets are with Goodman Property Trust. Goodman Property Trust has been assigned a rating of BBB with a stable outlook by Standard & Poor's.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

5. Financial risk management (continued)

5.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's approach to management of liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages this risk through active monitoring of the Company's liquidity position and availability of borrowings.

The following table outlines the Company's financial liabilities by their relevant contractual maturity date. Values are the contractual undiscounted cash flows and include both principal and interest where applicable.

\$ million	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and later	Total cash flows	Carrying value
2018								
Financial assets – Advances to related parties	19.7	19.7	117.9	13.5	109.7	207.0	487.5	405.0
Financial liabilities – Retail bonds	(19.7)	(19.7)	(117.9)	(13.5)	(109.7)	(207.0)	(487.5)	(405.0)
Total	-	-	-	-	-	-	-	-
2017								
Financial assets – Advances to related parties	11.2	11.2	11.2	107.5	5.0	101.2	247.3	203.2
Financial liabilities – Retail bonds	(11.2)	(11.2)	(11.2)	(107.5)	(5.0)	(101.2)	(247.3)	(203.2)
Total	-	-	-	-	-	-	-	-

5.5 Capital management risk

The Company's policy is to match the value, term and maturity of external borrowings to the value, term and maturity of advances made to related parties. This minimises capital management risk for the Company.

Notes to the Financial Statements (continued)

For the year ended 31 March 2018

5. Financial risk management (continued)

5.6 Fair value of financial instruments

The fair value of financial instruments has been estimated as follows:

\$ million	Fair value hierarchy	2018	2017
Related party receivables	Level 2	416.2	211.6
Retail bonds	Level 1	(416.2)	(211.6)

For instruments where there is no active market, the Company may use internally developed models which are usually based on valuation methods and techniques generally recognised as standard within the industry. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments classified as Level 2, being the related party receivables, is measured using the quoted prices of the retail bonds liability.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest input to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

6. Equity

As at 31 March 2018, 100 ordinary shares had been issued for nil consideration (2017: 100 ordinary shares for nil consideration). All shares rank equally with one vote attached to each share.

The Company does not have any tangible assets, and its net assets are nil, being an advance to a related party offset by a liability for retail bonds. Consequently, the net tangible assets per bond at 31 March 2018 was nil (2017: nil).

Independent auditor's report

To the shareholder of GMT Bond Issuer Limited



The financial statements comprise:

- the balance sheet as at 31 March 2018;
- the statement of profit or loss for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the financial statements of GMT Bond Issuer Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as the auditor, we have no relationship with, or interests in, the Company.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

For the purpose of our audit, we used a threshold for overall materiality of \$153,000.

We have not identified any key audit matters from our audit given the nature of the entity. Refer to the Key audit matters section of our report.

Independent auditor's report (continued)

To the shareholder of GMT Bond Issuer Limited



Our audit approach (continued)

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	\$153,000
How we determined it	Approximately 1% of interest expense.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is the metric against which the performance of the Company is most commonly measured.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. The entity obtains funding from the issue of debt securities and then lends the proceeds to Goodman Property Trust at the same cost. Given the nature of the Company's operations, we determined that there were no key audit matters to communicate in our report.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

To the shareholder of GMT Bond Issuer Limited



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ) and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.
- Provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine those matters, from the matters communicated with the directors, that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Richard Day.

For and on behalf of:

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
28 May 2018

Auckland

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Introduction

Corporate governance is the system by which organisations are directed and managed. It influences how an organisation's objectives are achieved, how its risks are monitored and assessed and how its performance is optimised.

The Board has adopted an overall corporate governance framework that is designed to meet best practice standards and recognises that an effective corporate governance culture is critical to success.

At all times, the Board strives to achieve governance outcomes which effectively balance the needs of GMT and GMT Bond Issuer Limited, other stakeholders, regulators and the wider market.

What follows is an overview of the corporate governance framework administered by the Board together with other legal and regulatory disclosures. The governance framework for both GMT and GMT Bond Issuer Limited is materially consistent with the NZX Corporate Governance Code 2017 ("NZX Code"), except where, as a result of the external management structure this is not appropriate.

A more detailed analysis against the NZX Code is included in the corporate governance section of the Goodman Property Trust website www.goodman.com/nz.

GMT and GMT Bond Issuer Limited

GMT is an NZX listed unit trust created by the Trust Deed and administered under the Financial Markets Conduct Act 2013 ("FMCA"). Covenant Trustee Services Limited is the Trustee of GMT and is appointed to hold the assets of GMT on trust for Unitholders. Pursuant to the terms of the Trust Deed, the Trustee has the rights and powers in respect of the assets of GMT it could exercise as if it was the absolute owner of such assets, but subject to the FMCA and the rights given to the Manager by the FMCA and the Trust Deed.

GMT Bond Issuer Limited is a wholly owned subsidiary of GMT and issuer of Goodman+Bonds. Goodman+Bonds are debt securities listed on the NZDX. They are direct, secured, unsubordinated, obligations of the issuer, ranking equally with debt owed to GMT's main banking syndicate. Public Trust is the Bond Trustee for Goodman+Bonds.

Relationship with Goodman Group

GMT has a close relationship with Goodman Group. Goodman Group is the Trust's largest Unitholder, owning approximately 21.2% of Units on issue at the Balance Date. Since late 2003, the Manager of GMT has been Goodman (NZ) Limited, a wholly owned subsidiary of Goodman Group.

The Manager's role is to strategically manage the Trust's property portfolio including buying and selling properties, managing capital and overseeing day to day operations. Goodman

Group's cornerstone stake brings into close alignment the interests of the Trust and the Manager. Goodman Group also provides certain other services to the Trust which are outside the scope of the Manager's duties, which relate to property services, development and project management services and legal services.

The Trust and Goodman Group have also transacted property from time to time, either between each other or jointly pursuant to the Co-ownership Agreement. At the date of this Report, the Trust and Goodman Group jointly own two property interests as co-owners.

GMT Bond Issuer Limited has no activities other than those necessary or incidental to the issuing of Goodman+Bonds and complying with its obligations at law. Under its constitution it is restricted from undertaking any other activities. Goodman Group holds no Goodman+Bonds.

Statement of corporate governance policies, practices and processes

The Board of Directors

The Board works with Management to formulate and monitor the strategic direction of the Trust and monitor its performance against set targets. The Board also has the responsibility to ensure business risks are appropriately identified and managed and statutory, financial and social responsibilities of the Manager are complied with.

A copy of the Board's approved mandate is contained in the corporate governance section of the website together with a copy of the statement of investment policies

and objectives. In addition, the Board has adopted a formal written Board Charter which sets out the roles and responsibilities of the Board, a copy of which is included in the corporate governance section of the Goodman Property Trust website www.goodman.com/nz.

To facilitate the effective execution of its responsibilities, the Board has developed a statement of delegated authority for Management. This statement clarifies which matters are dealt with by the Board and which matters are the responsibility of Management and includes areas such as finance, corporate matters and property transactions.

The Chairman and the CEO

As recommended by the NZX Code, the roles of Chairman and CEO are separated. This separation avoids concentrations of influence and increases accountability.

At the Balance Date and at the date of this report, Keith Smith is the Chairman. Keith Smith is a New Zealand based Director. Keith's biography may be found at www.goodmanreport.co.nz.

John Dakin is the CEO of the Manager and his biography may be found at www.goodmanreport.co.nz. John is also an Executive Director of the Manager.

John oversees Management's delivery of the strategy approved by the Board, drawing on his intimate knowledge of each aspect of the business and his ability to communicate this strategy to key stakeholders.

Corporate governance (continued)

Board composition

At the date of this Report, the composition of the Board is set out on page 46. Between them, the Directors have a wide range of skills and experience, enabling the Board to bring critical judgement and independent assessment to the oversight of the business. The Board of GMT Bond Issuer Limited replicates the Board of GNZ. A separate Board, including separate Board meetings, is maintained to ensure the obligations of GMT Bond Issuer Limited as the issuer of the Goodman+Bonds are met. The biographies of each Director can be found at www.goodmanreport.co.nz. The performance of the Board is reviewed regularly with such process being managed by the Chairman of the Board.

Independent Directors maintain their skills and capabilities through regular training. This includes completing the continuing education requirements of the NZ Institute of Directors and other relevant professional bodies.

All Directors (other than Gregory Goodman) are appointed for three year terms, after which they are eligible for reappointment. Gregory Goodman has a standing appointment, in his role as Group CEO of Goodman Group, shareholder of Goodman (NZ) Limited.

Independent Directors are appointed by GMT unitholders in the manner described in the GMT Trust Deed, which can be found on the Companies Office website www.companies.govt.nz.

The expiry dates of the Directors' present tenures are also set out in the table below. Directors are encouraged to undertake training to ensure they remain current on issues relating to fulfilling their duties and are provided with an induction that includes a tour of the Trust's assets.

Independent Directors

The Board has determined that four of its members are Independent Directors (as defined in the Listing Rules) at the Balance Date, as set out in the table below.

Name	Ind.	Expiry of current term
Keith Smith	Yes	27 July 2019
Leonie Freeman	Yes	29 July 2018
Susan Paterson	Yes	2 August 2020
Peter Simmonds	Yes	27 July 2019
Gregory Goodman	No	n/a
Phil Pryke	No	28 February 2020
John Dakin	No	30 June 2018

During the financial year to 31 March 2018 all of the Directors attended each Board meeting. The Independent Directors are encouraged to meet separately when necessary and in any event not less than once a year. They are also entitled to take independent legal advice at the Manager's expense should they believe it necessary to adequately perform their role.

Company secretarial function

The company secretarial function is performed by Anton Shead, the Manager's General Counsel. Refer to www.goodmanreport.co.nz for Anton's biography.

Board committees

The Board has established a number of committees to assist in the exercise of its functions and duties and to ensure that all risks are effectively monitored and managed. The Manager does not maintain a remuneration committee as GMT has no employees. Nor does it maintain a separate Nomination committee as this task is performed by the entire Board. The Board applies the relevant provisions of the Goodman Group Remuneration and Nomination Charter as required.

A summary of the Board committees is set out below.

(a) Audit Committee

The Board has established an Audit Committee, which meets at least three times a year. As at the date of this Report, the Audit Committee has a majority of Independent Directors and comprises: Peter Simmonds (Chairman), Keith Smith, Leonie Freeman, Susan Paterson and Phil Pryke.

The Audit Committee operates under the terms of a formal charter, a copy of which is available on the website within the corporate governance section. The duties and responsibilities of the Audit Committee include the following:

- + monitoring the independence, ability and objectivity of the external auditor;
- + reviewing the financial statements for the Trust and overseeing the auditing of the Trust's annual financial statements (including the financial statements of GMT Bond Issuer Limited);

- + setting the parameters for the internal audit programme, overseeing its implementation and reviewing its outputs and recommendations; and
- + overseeing and advising on the Manager's internal risk management programme. The Audit Committee reports its findings to the Board, in particular any matters that may have a material impact on the operating results or financial position of GMT. The Audit Committee also reports any findings in relation to GMT Bond Issuer Limited to the Board of GMT Bond Issuer Limited.

(b) Due Diligence Committee

The Board establishes a Due Diligence Committee to oversee and report to the Board on the due diligence process for any transaction for the Trust of a significant size and/or complexity. Examples of such transactions are major acquisitions funded by an equity raising or a new issuance of Goodman+Bonds by GMT Bond Issuer Limited. A Due Diligence Committee will usually include at least one Independent Director, relevant external consultants and members of Management considered appropriate for the transaction in question.

(c) Appointments Committee

The Board will, when it considers appropriate, constitute a committee to consider senior executive and director appointments and performance. An Appointments Committee will usually include at least one Independent Director and other persons considered appropriate. GMT Bond Issuer Limited has no employees and does not maintain an Appointments Committee.

Corporate governance (continued)

(d) Remuneration Committee

The NZX Code recommends that a Remuneration Committee be established to benchmark remuneration packages for Directors and senior employees and that this be disclosed to investors.

It is a feature of the external management structure that these costs are borne by the Manager and not by the Trust. It is therefore unnecessary for GMT to maintain a Remuneration Committee.

However, in the interests of transparency and good governance the Manager has agreed to disclose the basis upon which the Goodman Group Remuneration and Nominations Committee determines the packages payable to Directors and employees involved with its New Zealand operations. This disclosure is provided on a voluntary basis and is laid out on page 119.

The Directors of GMT Bond Issuer Limited are also Directors of the Manager and are paid Directors Fees by Goodman Group in this capacity.

There were no remuneration payments made or other benefits given to any Director of GMT Bond Issuer Limited in respect of their role as a Director of that company.

As no remuneration payments are made by GMT Bond Issuer Limited it does not maintain a Remuneration Committee.

Policies and procedures

The Manager has established a number of policies and procedures that govern the behaviour of its Directors and employees, which are summarised as follows.

(a) Related Party Policy

Due to the close relationship between Goodman Group and the Trust, the management of the real or apparent conflicts of interest that may arise are the highest of the Manager's list of corporate governance priorities.

The Manager has put in place a comprehensive Related Party Policy which summarises the relevant restrictions contained in the Listing Rules, the law and relevant contractual commitments, and how these issues are managed.

The Manager uses this policy as a tool to ensure that:

- + management and the Board are properly briefed and educated on the relevant restrictions and the processes put in place to ensure compliance with these restrictions; and
- + unitholders and the investment market recognise that the Manager deals with related party issues in an appropriate, transparent and robust manner.

The Manager believes that having a Board with experienced and strong Independent Directors, sends a message to the market of how seriously the Manager takes related party issues and the conflicts of interest that may arise.

(b) Continuous Disclosure Policy

The Manager is committed to keeping Unitholders, regulators and the market fully and promptly informed of all material information relevant to the Manager, the Trust and GMT Bond Issuer Limited.

To this end, the Manager has a Continuous Disclosure Policy which explains the relevant legal requirements and sets out the procedures the Manager has put in place to ensure compliance with them.

(c) Financial Products Trading Policy

The Manager has a Financial Products Trading Policy which raises awareness about the insider trading provisions in the Financial Markets Conduct Act 2013 ("FMCA") and strengthens those requirements with additional compliance standards and procedures which Directors and employees who wish to trade in GMT Units or Goodman+Bonds must comply with.

The Manager imposes trading windows through this policy as well as requiring written approval of the CEO or Chairman prior to any trade. Speculative trading is also prohibited with a minimum holding period of six months imposed.

Periodic briefings are provided to Directors and employees of the requirements of this policy, with email advice of trading window status (and a constant reminder to employees via the home page of the Manager's intranet site) also provided.

(d) Code of Conduct

Directors and employees of the Manager abide by the Goodman Group Code of Conduct and Ethical Concerns Policy which establishes required standards of ethical and personal conduct. Compliance with this policy is a condition of employment. Employees are provided with regular training on these policies and their implications.

This Code of Conduct makes all Directors and employees responsible for reporting unethical or corrupt behaviour and the Manager will take whatever disciplinary action it considers appropriate in the circumstances, including dismissal.

A copy of all corporate policies noted above can be viewed on GMT's website within the corporate governance section.

(e) Diversity

Whilst GMT does not have any employees, it has elected to adopt a diversity policy for the employees of the Manager in NZ (see page 30). Employees of the Manager also have the benefit of the Goodman Group Diversity Policy, a copy of which can be found at www.goodman.com.

At the Balance Date and the date of this report the Board comprised two female Directors out of a total of seven Directors. All three of the officers of the Manager are male. This is unchanged from the prior period. Further details of the diversity of the Goodman NZ workforce are included on page 30.

Risk management

Effective management of all types of risk (financial and non-financial) is a fundamental part of the Manager's business strategy.

The Audit Committee has the responsibility of overseeing the Manager's risk management practices and works closely with Management and the Trust's auditors to ensure that risk management issues are properly identified and addressed.

Corporate governance (continued)

The Audit Committee approves the work programme for the internal audit and the results of each discrete business unit review and the action taken by the Manager to deal with any issues identified.

The Manager maintains a risk management framework for GMT which includes regular reporting to both the Audit Committee and the Board and the undertaking of an annual risk assessment for GMT.

Manager's remuneration

Under the Trust Deed, the Manager receives a fee for the management of the Trust. The fee is comprised of two components: a base fee and a performance fee.

The base fee component is equal to 0.50% per annum of the book value of assets (other than cash, debtors and development land) less than or equal to \$500 million, and 0.40% per annum of the book value of assets (other than cash, debtors and development land) greater than \$500 million. This fee arrangement was supplemented by changes approved by the Unitholders in August 2014, under which the manager is required to use its base fee to subscribe for GMT units for a period of five years from 1 April 2014.

Further details can be found on the investor centre of the Goodman Property Trust website www.goodman.com.

The performance fee is determined by reference to the Trust's performance (including gross distributions and movements in Unit price), relative to the performance of the Trust's New Zealand listed real estate peers and calculated on an annual basis.

The calculation of the Manager's base fee is reviewed annually by the Trust's auditors. By a separate specific engagement, the Trust's auditors also review the calculation of the Manager's performance fee (if any) each year.

The Manager is also entitled to be reimbursed for amounts properly incurred on behalf of the Trust.

Annual Meeting

The Board views the Annual Meeting ("AM") as an excellent forum in which to discuss issues relevant to GMT. The Board encourages the full participation of Unitholders at these meetings to ensure a high level of accountability and identification with the Manager's strategy and objectives.

To maximise the effectiveness of communication at the AM, the Manager also requires its external auditors to attend the meeting and be prepared to answer Unitholders' questions about the conduct of the audit, as well as the preparation and content of the independent auditors' report.

Other statutory and listing rule disclosures

NZX Waivers

NZX has granted waivers to GMT and GMT Bond Issuer at various times, some of which have been relied upon by GMT and GMT Bond Issuer Limited during the year ended 31 March 2018.

Fees

Under paragraph 39(d) of the waivers that were granted to GMT by NZX on 12 November 2012, GMT is required to disclose in its interim financial statements

the fees that were paid to GPSNZ under the property management and development management agreements between HDL and GPSNZ, and between HBPL and GPSNZ during the period they were in force.

Included within property management fees and development management fees paid is \$0.4 million paid pursuant to the property management and development management agreements between HBPL and GPSNZ for the year ended 31 March 2018.

Included within property management fees and development management fees paid is \$5.4 million paid pursuant to the property management and development management agreements between HDL and GPSNZ for the year ended 31 March 2018.

GMT

On 17 May 2018, NZX granted GMT a waiver from NZX Listing Rule 9.2.1 in relation to the proposed sale of 100% of the shares in Wynyard Precinct Holdings Limited ("WPH") to Viaduct Holdings IV Limited pursuant to the terms of a sale and purchase agreement ("Proposed Transaction"). GMT, through its wholly-owned subsidiary Goodman Nominee (NZ) Limited ("Nominee"), holds 51% of the shares in WPH. Reco Aotearoa Private Limited ("Reco") holds the remaining 49% of shares in WPH. The waiver from NZX Listing Rule 9.2.1 was granted to the extent that the Rule would otherwise require GMT to seek unitholder approval to enter into the Proposed Transaction.

The effect of the waiver from NZX Listing Rule 9.2.1 is that GMT is able to enter into the Proposed Transaction without first obtaining the approval of an ordinary resolution of unitholders. Unitholder approval of the Proposed Transaction would otherwise have been required, as the Proposed Transaction will be a "Material Transaction" (as that term is defined in the NZX Listing Rules) for GMT, and GMT and Reco are considered "Related Parties" (as that term is defined in the NZX Listing Rules) for the purposes of the NZX Listing Rules.

The waiver from NZX Listing Rule 9.2.1 has been granted on the condition that the Independent Directors of Goodman certify, in a form acceptable to NZX, that:

- a) the Proposed Transaction has been negotiated, agreed and entered into on an arm's length and commercial basis;
- b) in their opinion the Proposed Transaction represents fair value and is fair and reasonable to GMT and its unitholders who are not related to, or Associated Persons (as that term is defined in the NZX Listing Rules) of Reco;
- c) Reco did not influence the final decision of the Board to enter into the Proposed Transaction.

The waiver from NZX Listing Rule 9.2.1 has been granted on the further condition that the waiver, its conditions and the implications of this waiver are disclosed in GMT's next annual report.

Corporate governance (continued)

GMT Bond Issuer

On 18 May 2017, NZX granted GMB a waiver from NZX Listing Rule 5.2.3 in relation to the Goodman+Bonds issued on 31 May 2017 (“GMB040 Bonds”) to enable GMB to apply for quotation on the NZX Debt Market even though the GMB040 Bonds may not initially be held by at least 500 members of the public holding at least 25% of the GMB040 Bonds issued (as required by NZX Listing Rule 5.2.3). The waiver has been granted for a period of six months from the quotation date of the GMB040 Bonds (being 1 June 2017).

The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the GMB040 Bonds may not be widely held and there may be reduced liquidity in the GMB040 Bonds. To the extent that the GMB040 Bonds meet the spread requirements of NZX Listing Rule 5.2.3, GMB will notify NZX accordingly.

GMB has agreed to notify NZX as soon as practicable if there is a material reduction to the total number of members of the public holding GMB040 Bonds, and/or the percentage of GMB040 Bonds held by members of the public holding at least a minimum holding. GMB has also agreed to clearly and prominently disclose this waiver, its conditions and their implications in each offer document relating to the GMB040 Bonds and in its half-year report and its annual report for the period the waiver is relied on.

A complete copy of the waivers provided by NZX can be found at www.nzx.com under the GMT code.

Summary of recent Trust Deed amendments

There have been no amendments to the Trust Deed during the period from 1 April 2017 to 31 March 2018. A copy of the supplemental deed which amended GMT’s Trust Deed with effect from 14 November 2016 is available on the Corporate Governance section of the Goodman Property Trust Website at www.goodman.com/nz. It is also available on the Disclose Register accessible on the Companies Office website (<https://www.companiesoffice.govt.nz/disclose>).

Register of Directors’ holdings as at the Balance Date (to 31 March 2018)

The table below shows all relevant interests of Directors in Units and Goodman+Bonds under the FMCA, which include legal and beneficial interests in Units.

Director	Units	Goodman + Bonds
Keith Smith (Chairman) ⁽¹⁾	462,654	150,000
Leonie Freeman ⁽²⁾	173,750	Nil
Susan Paterson ⁽³⁾	329,060	Nil
Peter Simmonds ⁽⁴⁾	201,741	Nil
Gregory Goodman	Nil	Nil
Phil Pryke	Nil	Nil
John Dakin ⁽⁵⁾	863,108	Nil

⁽¹⁾ Keith holds a beneficial interest in 378,460 GMT units through The Selwyn Trust. He is also a trustee of that trust. Keith has an interest as a trustee only (i.e. no beneficial interest) in a further 84,194 units, through being trustee of The Gwendoline Trust. Keith also has a beneficial interest in 150,000 GMB020 Bonds held by Gwendoline Holdings Limited.

⁽²⁾ Leonie holds her GMT units through Wave Trust of which she is a trustee and beneficiary.

⁽³⁾ Susan holds her GMT units through SM Taylor Family Trust of which she is a trustee and beneficiary.

⁽⁴⁾ Peter holds his GMT units through the Simmonds Family Trust of which he is a trustee and beneficiary (with the exception of 40,505 units which he holds personally).

⁽⁵⁾ John holds his units through SGH Investment Trust of which he is a trustee and beneficiary.

Other Disclosures for GMT Bond Issuer Limited

Interests register

GMT Bond Issuer Limited is required to maintain an interests register in which the particulars of certain transactions and matters involving the Directors must be recorded. The interests register is available for inspection on request.

Specific disclosures of interests

During the financial period, GMT Bond Issuer Limited did not enter into any transactions in which its Directors had an interest. Accordingly, no disclosures of interest were made.

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and its constitution, GMT Bond Issuer Limited has provided insurance for, and indemnities to, Directors for losses from actions undertaken in the course of their duties. The insurance includes indemnity costs and expenses incurred to defend an action that falls outside the scope of the indemnity. The cost of such insurance has been certified as fair by the Directors of GMT Bond Issuer Limited. Particulars have been entered in the interests register pursuant to section 162 of the Companies Act 1993.

Use of company information by Directors

No member of the Board issued a notice requesting to use information received in his or her capacity as a Director which would not have otherwise been available to that Director.

Donations

GMT Bond Issuer Limited did not make any donations during the financial period.

Audit fees

All audit fees and fees for other services provided by PricewaterhouseCoopers are paid by GMT.

Directors’ disclosure

During the year ended 31 March 2018, Directors’ disclosed interest or cessation of interest (indicated by (C), in the following entities pursuant to section 140 of the Companies Act 1993.

Gregory Goodman

Goodman Holdings (NZ) Limited
Wynyard Precinct No.7 Limited

Susan Paterson

Steel & Tube Holdings Limited
Airways International Limited (C)
Airways Corporation of New Zealand Limited (C)

Phil Pryke

Contact Energy Limited (C)

Keith Smith

Tree Scape Limited

Remuneration report



Introduction

As a Unit Trust managed by an external manager, Goodman Property Trust does not have any Directors or employees of its own. The Manager, Goodman (NZ) Limited has a Board of Directors with responsibility for the strategic management of GMT.

Goodman Property Services (NZ) Limited, a sister company to GNZ, is the entity that employs the personnel and seconds staff to the Manager who manage GMT on a day-to-day basis. The Management Team included on page 47 of this Annual Report are employed by GPSNZ.

Both GNZ and GPSNZ are owned by Goodman Group, listed on the Australian stock exchange.

This remuneration report outlines the Manager's key remuneration policies.

Increased disclosure

The Trust does not bear directly any employment related costs. Those costs are borne by GNZ and GPSNZ and paid by those companies from the fees they earn from GMT.

GMT has no remuneration disclosure obligations as it does not have any Directors or employees however in the interest of transparency to unitholders the Board of GNZ provides remuneration disclosure for Directors and the Chief Executive Officer. The Board's view is that remuneration strategies that closely align the long-term wealth creation objectives of employees who provide management services to GMT with long-term wealth creation objectives of GMT unitholders are strategically important and provide motivation for value maximisation for the Trust.

Remuneration Committee

The NZX Corporate Governance Code provides that issuers should establish a Remuneration Committee to recommend remuneration packages for Directors to the owners of the issuer. As GMT (an issuer) does not have employees and the Manager's Directors' fees are paid by GNZ, GMT does not maintain a Remuneration Committee.

In support of effective corporate governance, remuneration issues which relate to GNZ and GPSNZ fall under the responsibility of an established sub-committee of the Board of Goodman Group, the Remuneration Committee.

Details regarding this committee may be found on the Goodman Group website at www.goodman.com under About us / Corporate governance.

The Remuneration Committee has the responsibility to consider remuneration related issues more fully and provide recommendations to the Board of Goodman Group and its subsidiaries.

Mr Pryke, a non-executive Director of GNZ and an Independent Director of Goodman Group, is the Chairman of the Goodman Group Remuneration Committee.

Summary of key remuneration principles

A summary of key remuneration principles applied by GPSNZ is set out below:

- + the basis of remuneration is local market referenced base salary, reviewed annually;
- + employees may be awarded short term incentives in the form of discretionary cash bonuses, subject to GMT, Goodman Group and personal achievement of financial and operational targets;
- + all employees can participate equally in two long term incentive plans designed to maximise long-term alignment with unitholders of GMT ("NZ LTIP") and securityholders of Goodman Group ("Goodman Group LTIP");
- + under the NZ LTIP, performance rights are issued which give employees the right to acquire, for nil consideration, Goodman Property Trust units subject to the satisfaction of hurdles assessed over specific three year testing period timeframes. GMT units awarded are sourced from units held by Goodman Group or purchased on market by Goodman Group and are a cost of GPSNZ not the Trust. The Trust does not issue any additional units in relation to the NZ LTIP scheme;
- + under the Goodman Group LTIP, performance rights are issued which give employees the right to acquire, for nil consideration, stapled securities of Goodman Group subject to the satisfaction of hurdles assessed over specific three year testing period timeframes. GMG securities awarded are a cost of GPSNZ not the Trust;
- + for both LTIP schemes, an employee is required to remain employed for a five year period from the initial granting to be eligible to receive all of the awards that meet performance hurdles;
- + performance based incentives such as cash bonuses and performance rights are normally awarded only when key metrics are met or exceeded, however, discretion remains with the Board of Goodman Group on the final determination of awards in cases of exceptional individual or divisional performance where financial metrics may not have been met; and
- + conversely there may be situations where the Board of Goodman Group exercises its discretion to withhold incentives.

Remuneration report (continued)

Directors' remuneration

Although the Directors' remuneration is paid by Goodman Group and not GMT, the Directors and Goodman Group have agreed to disclose the Directors' remuneration to unitholders in the interest of full and complete disclosure.

The Chairman of the Manager is entitled to \$155,000 per annum (\$150,000 prior to 30 June 2017), the Chairman of the Audit Committee is entitled to \$100,000 per annum (\$95,000 prior to 30 June 2017) and each other Director is entitled to \$90,000 per

annum (\$85,000 prior to 30 June 2017), with the exception of Mr Goodman and Mr Dakin who are remunerated by way of salary for their executive roles and are not paid any additional remuneration for their positions as Directors.

In addition, Directors (other than Mr Goodman and Mr Dakin) are paid \$300 per hour for time spent in relation to Due Diligence Committee matters.

Mr Goodman and Mr Dakin do not receive any remuneration for their roles on the Board of GNZ.

Directors were entitled to fees, including fees for Due Diligence Committee matters, as set out below. None of the Directors are paid performance related fees relating to their Directorships.

Director	Role	2018 \$	2017 \$
Keith Smith	Chairman, Independent Director	153,750	150,000
Peter Simmonds	Chairman Audit Committee, Independent Director	102,650	95,000
Susan Paterson	Independent Director	88,750	85,000
Leonie Freeman	Independent Director	96,550	85,000
Phil Pryke	Non-executive Director	99,550	85,000
Greg Goodman	Non-executive Director	-	-
John Dakin	Executive Director	-	-

Chief Executive Officer's remuneration

Although all remuneration is paid by Goodman Group and not GMT, the CEO and Goodman Group have agreed to disclose the CEO's remuneration to unitholders in the interest of best practice. Details of the nature and amount of each major element of the remuneration of the CEO is set out below. All amounts are in New Zealand dollars.

			Short Term Remuneration					Long Term Remuneration						
			Salary \$	Bonus ⁽¹⁾ \$	Total \$	Benefits & KiwiSaver \$	Total \$	Goodman Group LTIP			New Zealand LTIP			Total Value Vesting
								Performance Rights Granted Number	Performance Rights Vesting Number	Performance Rights Vesting ⁽²⁾ \$	Performance Rights Granted Number	Performance Rights Vesting Number	Performance Rights Vesting ⁽²⁾ \$	
John Dakin	Chief Executive Officer	31 March 2018	432,693	500,000	932,693	28,500	961,192	125,000	80,881	745,005	949,750	421,795	529,353	1,274,358
		31 March 2017	432,693	660,000	1,092,693	56,726	1,149,419	140,000	100,012	781,094	835,800	217,522	291,479	1,072,573

⁽¹⁾ Bonus paid in the year ended 31 March 2018 related to GPSNZ's year ended 30 June 2017. Bonus paid in the year ended 31 March 2017 related to GPSNZ's year ended 30 June 2016.

⁽²⁾ The value of the performance rights vesting is derived from the market value of the securities at the date of vesting.

Remuneration report (continued)

Other employees' remuneration

As at 31 March 2018 the number of employees of GPSNZ (not including the CEO) who received remuneration and other benefits with a combined total value exceeding \$100,000 was as set out below. Performance Rights vesting during the year have been valued at the underlying security value on the date of vesting. No value has been attributed to performance rights granted during the year. None of the cost of this remuneration is borne by GMT.

All permanent employees are entitled to participate in both the New Zealand LTIP and the Goodman Group LTIP in addition to receiving their salary and the opportunity to be awarded a cash paid short term incentive.

Salary Range \$000	Number of employees as at
	31 March 2018
1,050 – 1,100	1
850 – 900	1
800 – 850	1
700 – 750	1
650 – 700	1
600 – 650	2
500 – 550	2
400 – 450	3
350 – 400	1
300 – 350	1
250 – 300	4
200 – 250	1
150 – 200	6
100 – 150	11
	36

Components of total remuneration

For employees of GPSNZ as at 31 March 2018, the relative proportions of their total remuneration received for the year ended 31 March 2018 was as set out below.

This is consistent with Goodman's remuneration philosophy in that employees are encouraged to make commercial decisions that are in the long term best interests of investors through gaining exposure to equity. More than 80% of the

CEO's total remuneration is performance based and therefore at risk. On average, other executives have around 65% of their total remuneration at risk.

For employees (including the CEO) as at 31 March 2018, the NZ LTIP awarded them GMT units with a market value of \$2.2 million on the date of vesting. The Goodman Group LTIP awarded those employees GMG securities with a market value of \$3.5 million on the date of vesting. None of the cost of these awards was borne by the Trust.

	Short Term		Goodman		
	Base Salary	Incentive	NZ LTIP	Group LTIP	Total
CEO	19.6%	22.7%	24.0%	33.8%	100%
Executives excluding the CEO	33.3%	23.7%	15.8%	27.2%	100%
All other employees	55.5%	17.3%	10.5%	16.7%	100%

Investor relations



Introduction

Ensuring Unitholders and Bondholders are well informed and easily able to manage their investment is a key priority of the Manager's investor relations team. Regular meetings and communications, its website and a dedicated toll free contact number provide investors with the means to make informed decisions.

Annual meeting

GMT's Trust Deed requires at least one meeting of Unitholders each financial year. The next Annual Meeting is scheduled for 4 July 2018 at Eden Park, Auckland.

Publications

For Unitholders and Bondholders who elect to receive printed copies, the Annual and Interim Reports are typically mailed around June and December of each year respectively. Goodresults newsletters detailing the operational activities of the Trust over the intervening periods are mailed to Unitholders in September and March.

Investor centre

The website, www.goodman.com/nz, enables Unitholders and Bondholders to view information about their investment, download investor forms, check current prices and view publications and announcements.

Helpline

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

Unitholder distribution

The Trust typically pays its distributions quarterly in the third month that follows each quarter. For example the distribution for the March 2018 quarter will be paid in June 2018.

Bondholder interest payments

Interest is paid semi-annually, each year, until redemption. No dividends or distributions have been paid by GMT Bond Issuer Limited.

Registrar

Computershare Investor Services Limited is the registrar with responsibility for administering and maintaining the Trust's Unit and Bond Registers.

If you have a question about the administration of your investment, Computershare can be contacted directly:

- + by phone, on their toll free number 0800 359 999 (+64 9 488 8777 from outside New Zealand);
- + by email, to enquiry@computershare.co.nz; or
- + by mail, to Computershare Investor Services Limited, Private Bag 92119, Auckland 1142.

Complaints procedure

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).

Complaints may be made to the Manager or through the financial dispute resolution scheme.

Contact details of both are included in the corporate directory at the end of this document.

Top 20 Unitholders

As at 1 May 2018

Rank	Holder Name	Number of units held	% of total issued units
1	Goodman Investment Holdings (NZ) Limited	273,248,744	21.22
2	Accident Compensation Corporation	82,677,271	6.42
3	HSBC Nominees (New Zealand) Limited	78,568,848	6.10
4	FNZ Custodians Limited	67,714,594	5.26
5	Forsyth Barr Custodians Limited	63,384,881	4.92
6	Investment Custodial Services Limited	48,492,287	3.77
7	Citibank Nominees (New Zealand) Limited	47,929,181	3.72
8	BNP Paribas Nominees (NZ) limited	34,743,937	2.70
9	HSBC Nominees (New Zealand) Limited A/C State Street	31,438,633	2.44
10	JPMorgan Chase Bank NA NZ Branch – Segregated Clients Acct	21,424,891	1.66
11	ANZ Wholesale Trans-Tasman Property Securities Fund	20,373,330	1.58
12	BNP Paribas Nominees (NZ) limited	19,440,451	1.51
13	Sir Woolf Fisher Charitable Trust Inc	14,248,000	1.11
14	Custodial Services Limited	13,164,375	1.02
15	Tea Custodians Limited Client Property Trust Account	12,220,665	0.95
16	Mssrs. Williams, Parsons, Henshaw and Pearson	11,734,694	0.91
17	ANZ Wholesale Property Securities	10,702,862	0.83
18	New Zealand Depository Nominee Limited	8,892,025	0.69
19	PT (Booster Investments) Nominees Limited	7,809,159	0.61
20	MFL Mutual Fund Limited	7,571,297	0.59
Units held by top 20 Unitholders		875,780,125	68.01
Balance of Units held		412,001,812	31.99
Total of issued Units		1,287,781,937	100.00

Investor relations (continued)

Substantial Unitholders

As at 31 March 2018

It is a requirement of the Financial Markets Conduct Act 2013⁽¹⁾ that each listed issuer makes available the following information in its Annual Report.

Unitholder	Number of Units Held ⁽²⁾
Goodman Investment Holdings (NZ) Limited	262,447,211 ⁽³⁾
Goodman Limited	262,447,211 ⁽³⁾
Accident Compensation Corporation	58,295,875

⁽¹⁾The numbers of Units listed above are as at 31 March 2017 according to disclosures made under section 280(1)(b) of the Financial Markets Conduct Act 2013 and (prior to 1 December 2014) notices received under section 26 of the Securities Markets Act 1988. As these disclosures and notices are required to be filed only if the total holding of a Unitholder changes by 1% or more since the last notice filed, the numbers noted in this table may differ from those shown in the list of top 20 Unitholders. The list of top 20 Unitholders is shown as at 1 May 2018, rather than 31 March 2018.

⁽²⁾The total number of Units on issue as at 31 March 2018 was 1,287,781,937.

⁽³⁾Due to the breadth of the definition of 'Substantial Product Holder' in the Financial Markets Conduct Act 2013 and the nature of Goodman Group's corporate structure, the list above requires Goodman Group's holding in GMT to be shown through multiple entities each holding differing (i.e. legal or beneficial) interests. The total holding of Goodman Group as at 31 March 2018 is 273,248,744 Units.

Unitholder distribution

As at 1 May 2018

Unitholding Range	Number of Unitholders	Number of Units
1 to 9,999	3,156	16,209,211
10,000 to 49,999	5,310	117,021,551
50,000 to 99,999	812	53,468,826
100,000 to 499,999	510	91,984,185
500,000 to 999,999	42	27,605,137
1,000,000 and above	50	981,493,027
Total	9,880	1,287,781,937

Bondholder distribution

As at 1 May 2018

GMB020	Number of Bondholders	Number of Bonds
1 to 9,999	172	1,020,000
10,000 to 49,999	853	15,694,000
50,000 to 99,999	118	6,543,000
100,000 to 499,999	55	8,620,000
500,000 to 999,999	1	945,000
1,000,000 and above	15	67,178,000
Total	1,214	100,000,000

GMB030	Number of Bondholders	Number of Bonds
1 to 9,999	184	1,016,000
10,000 to 49,999	696	12,351,000
50,000 to 99,999	111	6,730,000
100,000 to 499,999	46	7,778,000
500,000 to 999,999	6	4,135,000
1,000,000 and above	11	67,990,000
Total	1,054	100,000,000

GMB040	Number of Bondholders	Number of Bonds
1 to 9,999	13	82,000
10,000 to 49,999	152	3,136,000
50,000 to 99,999	25	1,486,000
100,000 to 499,999	23	3,685,000
500,000 to 999,999	3	2,183,000
1,000,000 and above	12	89,428,000
Total	228	100,000,000

GMB050	Number of Bondholders	Number of Bonds
1 to 9,999	37	199,000
10,000 to 49,999	193	3,601,000
50,000 to 99,999	30	1,914,000
100,000 to 499,999	17	2,846,000
500,000 to 999,999	4	2,623,000
1,000,000 and above	12	88,817,000
Total	293	100,000,000

Glossary

\$ and cents

New Zealand currency.

Associated Person

has the meaning given to that term in the Listing Rules.

ASX

ASX Limited or any market operated by it, as the context requires.

Balance Date

31 March 2018.

Board

the Board of Directors of the Manager and GMT Bond Issuer Limited.

Bondholder

a person whose name is recorded in the register as a holder of a Goodman+Bond.

Cash Earnings

Cash earnings is a non-GAAP measure that assesses free cash flow, on a per unit basis, after adjusting for certain items. Calculation of GMT's cash earnings is set out on page 50.

CEO

the Chief Executive Officer of the Manager.

Chairman

the Chairman of the Board of the Manager.

Co-ownership Agreement

the agreement of that name between the Manager, Goodman Property Aggregated Limited, the Trustee, Goodman Funds Management Limited as responsible entity of GIT, Tallina Pty Limited as trustee of Penrose Trust, and Trust Company Limited as custodian of Tallina Pty Limited, dated 1 April 2004 as amended by the Restructuring Agreement between the same parties dated 7 March 2005, relating to the buying, selling and holding of property by the Trust and Goodman Group in 50/50 shares.

CPU or cpu

cents per unit.

Disclose Register

the Disclose Register is a register for offers of financial products and managed investment schemes under the Financial Markets Conduct Act 2013.

Director

a director of the Manager and GMT Bond Issuer Limited.

GIC

the sovereign wealth fund of Singapore.

GIT

Goodman Industrial Trust and its controlled entities, as the context requires.

GL

Goodman Limited and its controlled entities, as the context requires.

GMB

GMT Bond Issuer Limited, a wholly owned subsidiary of Goodman Property Trust.

Goodman

means Goodman (NZ) Limited as the Manager of the Trust.

Goodman Group or GMG

means GL, GIT and Goodman Logistics (HK) Limited, operating together as a stapled group. Where either GL, GIT or and Goodman Logistics (HK) Limited is party to a contract or agreement or responsible for an obligation or liability, without the other, all references to Goodman Group as concerns that contract, agreement or responsibility shall be to that party alone.

Goodman+Bond or Bond

a bond issued by GMB.

GPSNZ

Goodman Property Services (NZ) Limited.

Independent Director

has the meaning given to that term in the Listing Rules which, for the Manager are those persons listed on the following page.

Listing Rules

the Listing Rules of NZX from time to time and 'LR' is a reference to any of those rules.

Management

the senior executives of the Manager.

Manager or GNZ

the manager of the Trust, Goodman (NZ) Limited.

NTA

net tangible assets.

NZ IAS

New Zealand equivalents to International Accounting Standards.

NZ IFRS

New Zealand equivalents to International Financial Reporting Standards.

NZDX

the New Zealand debt market operated by NZX.

NZX

means NZX Limited.

NZX Code

means the NZX Corporate Governance code 2017.

Operating Earnings

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.

Registrar

the unit registrar for GMT and Goodman+Bond registrar for GMB which, at the date of this Annual Report, is Computershare Investor Services Limited.

sqm

square metres.

Trust Deed

the GMT trust deed dated 23 April 1999, as amended from time to time.

Trust or GMT

Goodman Property Trust and its controlled entities, including GMB, as the context requires.

Trustee

the trustee of the Trust, Covenant Trustee Services Limited.

Unitholder or unitholder

any holder of a Unit whose name is recorded in the register.

Unit or unit

a unit in GMT.

WPH or Wynyard Precinct

Wynyard Precinct Holdings Limited, the joint venture between GMT and GIC, the sovereign wealth fund of Singapore.

Corporate directory

Manager of Goodman Property Trust

Goodman (NZ) Limited

Level 2, 18 Viaduct Harbour Avenue
Auckland 1010
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

Issuer of Goodman+Bonds

GMT Bond Issuer Limited

Level 2, 18 Viaduct Harbour Avenue
Auckland 1010
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

Complaint Procedure

Financial Dispute Resolution Service

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

Directors of Goodman (NZ) Limited and GMT Bond Issuer Limited

Chairman and Independent Director

Keith Smith

Independent Directors

Leonie Freeman
Susan Paterson ONZM
Peter Simmonds

Executive Director

John Dakin

Non-executive Directors

Gregory Goodman
Phillip Pryke

Management Team of Goodman (NZ) Limited and GMT Bond Issuer Limited

Chief Executive Officer

John Dakin

Chief Financial Officer

Andy Eakin

General Counsel and Company Secretary

Anton Shead

General Manager Development

Michael Gimblett

Director Investment Management

James Spence

Director Investment Management and Capital Transactions

Kimberley Richards

Head of Corporate Affairs

Jonathan Simpson

Marketing Director

Mandy Waldin

Auditor

PricewaterhouseCoopers

PwC Tower
188 Quay Street
Private Bag 92162
Auckland 1142

Telephone: +64 9 355 8000
Facsimile: +64 9 355 8001

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

Legal Advisors

Russell McVeagh

Level 30, Vero Centre
48 Shortland Street
PO Box 8
Auckland 1140

Telephone: +64 9 367 8000
Facsimile: +64 9 367 8163

Trustee and Supervisor for Goodman Property Trust

Covenant Trustee Services Limited

Level 6, Crombie Lockwood Building
191 Queen Street
PO Box 4243
Auckland 1140

Telephone: +64 9 302 0638

Bond Trustee

Public Trust

Level 9
34 Shortland Street
PO Box 1598
Shortland Street
Auckland 1140

Toll free: 0800 371 471 (within New Zealand)
Telephone: +64 9 985 5300 (outside New Zealand)
Facsimile: 0800 371 001

