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.

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:

Amortised cost	Instruments recorded at amortised cost are those with fixed or determined receipts / payments that are recorded at their expected value at balance date.
Fair value through Profit or Loss	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:

NZ IFRS 9 Financial Instruments	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. 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.

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**

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.

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.

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.

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.

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:

PricewaterhouseCoopers

Chartered Accountants
28 May 2018

Auckland