Goodman Property Trust Financial Statements
For the year ended 31 March 2019

The Board of Goodman (NZ) Limited, the Manager of Goodman Property Trust, authorised these financial statements for issue on 14 May 2019. For and on behalf of the Board:

Keith Smith
Chairman

Peter Simmonds
Chairman, Audit Committee

Contents

Profit or loss

For the year ended 31 March 2019

$ million	Note	2019	2018
Property income	1.1	155.2	159.5
Property expenses		(28.4)	(29.4)
Net property income		126.8	130.1
Share of operating earnings before tax from joint venture	2.1	2.1	10.3
Interest			
Interest income	3.1	4.9	7.2
Interest cost	3.1	(20.9)	(25.9)
Net interest cost		(16.0)	(18.7)
Administrative expenses	6.1	(2.7)	(2.6)
Operating earnings before other income / (expenses) and tax		**110.2**	**119.1**
Other income / (expenses)			
Movement in fair value of investment property	1.5	201.9	83.8
Disposal of investment property		–	0.5
Profit on disposal of joint venture	2.3	35.1	–
Dividend income from joint venture		2.1	–
Share of other (expenses) / income and tax from joint venture	2.1	(0.5)	20.6
Movement in fair value of financial instruments	5.1	3.2	(8.5)
Manager's base fee expected to be reinvested in units	6.3	(8.6)	(8.3)
Manager's performance fee expected to be reinvested in units	6.3	(8.6)	–
Profit before tax		**334.8**	**207.2**
Tax			
Current tax on operating earnings	9.1	(16.7)	(16.9)
Current tax on non-operating earnings	9.1	0.5	0.4
Deferred tax	9.1	0.9	3.3
Total tax		**(15.3)**	**(13.2)**
Profit after tax attributable to unitholders		**319.5**	**194.0**

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

Cents	Note	2019	2018
Basic earnings per unit after tax	4.2	24.68	15.06

Balance sheet

As at 31 March 2019

$ million	Note	2019	2018
Non-current assets			
Stabilised properties	1.6	2,478.6	2,043.5
Developments	1.7	85.2	67.5
Land	1.8	69.6	120.0
Investment in joint venture	2.2	–	114.3
Derivative financial instruments	5.2	25.0	8.9
Deferred tax assets	9.2	1.9	5.2
Total non-current assets		**2,660.3**	**2,359.4**
Current assets			
Investment property contracted for sale	1.9	43.5	238.6
Advances to joint venture	10.2	–	107.5
Debtors and other assets	7	13.6	9.3
Cash		3.1	4.7
Total current assets		**60.2**	**360.1**
Total assets		**2,720.5**	**2,719.5**
Non-current liabilities			
Borrowings	3.2	585.1	823.6
Derivative financial instruments	5.2	12.1	18.7
Deferred tax liabilities	9.2	26.4	30.6
Total non-current liabilities		**623.6**	**872.9**
Current liabilities			
Creditors and other liabilities	8	47.6	49.2
Current tax payable		3.1	3.7
Total current liabilities		**50.7**	**52.9**
Total liabilities		**674.3**	**925.8**
Net assets		**2,046.2**	**1,793.7**
Equity			
Units	4.1	1,419.1	1,408.7
Unit based payments reserve		13.9	5.3
Retained earnings		613.2	379.7
Total equity		**2,046.2**	**1,793.7**

Cash flows

For the year ended 31 March 2019

$ million	Note	2019	2018
Cash flows from operating activities			
Property income received		153.1	160.9
Property expenses paid		(29.3)	(35.2)
Interest income received		4.9	13.6
Interest costs paid		(20.6)	(23.9)
Administrative expenses paid		(2.7)	(2.6)
Manager's base fee paid		(8.6)	(8.0)
Net GST (paid) / received		(0.8)	0.5
Tax paid		(16.8)	(15.6)
Net cash flows from operating activities	12	**79.2**	**89.7**
Cash flows from investing activities			
Acquisition of investment properties		(98.8)	(19.3)
Proceeds from the sale of investment properties		233.0	14.5
Capital expenditure payments for investment properties		(130.7)	(88.7)
Holding costs capitalised to investment properties		(13.5)	(13.3)
Construction loan receivable repayment		–	65.1
Proceeds from the sale of joint venture		154.2	–
Repayments from / (advances to) joint venture		107.5	(102.4)
Dividends received from joint venture		2.1	0.5
Disposal of other investments		–	12.0
Net cash flows from investing activities		**253.8**	**(131.6)**
Cash flows from financing activities			
Proceeds from borrowings		256.0	573.0
Repayments of borrowings		(506.0)	(449.0)
Proceeds from the issue of units		10.4	10.0
Distributions paid to unitholders		(86.0)	(85.5)
Settlement of derivative financial instruments		(9.0)	(2.8)
Net cash flows from financing activities		**(334.6)**	**45.7**
Net movement in cash		**(1.6)**	**3.8**
Cash at the beginning of the year		4.7	0.9
Cash at the end of the year		**3.1**	**4.7**

Changes in equity
For the year ended 31 March 2019

$ million	Units	Unit based payments reserve	Retained earnings	Total
As at 1 April 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**
Profit after tax	–	–	319.5	319.5
Distributions paid to unitholders	–	–	(86.0)	(86.0)
Manager's base fee	–	10.4	–	10.4
Manager's performance fee	–	8.6	–	8.6
Issue of units	10.4	(10.4)	–	–
As at 31 March 2019	**1,419.1**	**13.9**	**613.2**	**2,046.2**

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 2019

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 until the date that it was contracted for sale, after which it is accounted for as a held for sale asset through to settlement on 14 December 2018.

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 and with effect from 15 May 2019, will be an Equity Security for the purposes of the NZX Main Board Listing Rules.

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. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the financial statements.

New accounting standards now adopted

NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers have been adopted in these financial statements. There have been no material changes required to these financial statements and no changes to existing accounting policies along with comparatives as a result of these new accounting standards.

New accounting standard not yet effective

The following new standard has not been early adopted in these financial statements:

NZ IFRS 16 Leases

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.

As a lessor

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 when compared to existing accounting policies.

As a lessee

GMT's exposure as a lessee is in respect of occupational ground leases at Westney Industry Park. 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.

On adoption, it is expected that a right-of-use asset of $127.3 million and a lease liability of $62.0 million will be recorded, with stabilised investment property expected to be reduced by $65.2 million resulting in no change to the book value of overall net assets and no impact to profit. There will be no change to net cash flows recognised as a result of adoption of the new standard.

Notes to the Financial Statements

For the year ended 31 March 2019

1. Investment property

Property income is earned from investment property leased to customers.

1.1 Property income

$ million	2019	2018
Gross lease receipts	143.0	145.9
Service charge income	18.4	19.8
Straight line rental adjustments	1.0	1.4
Amortisation of capitalised lease incentives	(7.2)	(7.6)
Property income	**155.2**	**159.5**

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. 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 is 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	2019	2018
Year 1	140.1	130.3
Year 2	131.3	126.1
Year 3	111.9	111.1
Year 4	93.3	94.0
Year 5	71.0	76.5
Year 6 and later	245.7	250.4
Total future contracted gross lease receipts	**793.3**	**788.4**

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	2019	2018
Weighted average lease term (years)	5.1	5.6

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

1. Investment property (continued)

1.4 Total investment property

This table details the total investment property value.

$ million	2019 Stabilised properties	2019 Developments	2019 Land	2019 Total	2018 Stabilised properties	2018 Developments	2018 Land	2018 Total
Core								
Highbrook Business Park, East Tamaki	1,322.8	53.4	60.3	1,436.5	1,091.3	50.7	101.0	1,243.0
Savill Link, Otahuhu	292.5	31.1	2.3	325.9	237.8	6.5	11.9	256.2
M20 Business Park, Wiri	247.2	–	7.0	254.2	233.6	–	6.6	240.2
The Gate Industry Park, Penrose	232.5	–	–	232.5	189.5	–	0.5	190.0
Westney Industry Park, Mangere	122.7	0.7	–	123.4	119.8	–	–	119.8
Total core	**2,217.7**	**85.2**	**69.6**	**2,372.5**	**1,872.0**	**57.2**	**120.0**	**2,049.2**
Value-add	260.9	–	–	260.9	171.5	10.3	–	181.8
Total investment property	**2,478.6**	**85.2**	**69.6**	**2,633.4**	**2,043.5**	**67.5**	**120.0**	**2,231.0**

GMT's estates are classified as either "core" or "value-add" estates.

Core
Those estates within the portfolio which consist largely of modern, high-quality industrial and logistics properties.

Value-add
Those estates which generally consist of older properties that are likely to have redevelopment potential over the medium to long-term. Redevelopment of the properties to realise their maximum future value may require a change in use.

Significant transactions

In October 2018, GMT completed the acquisition of a property at Roma Road, Mount Roskill for $93.0 million.

In November 2018, GMT completed the disposal of 614-616 Great South Road, a value-add property, for $11.6 million. This sale resulted in a gain on sale of $5.1 million over the previous carrying value. This gain has been reflected as a fair value movement in the financial statements.

In December 2018, GMT unconditionally contracted the sale of the Concourse Industry Park, a value-add property, for $35.0 million. This sale resulted in a gain on sale of $5.4 million over the previous carrying value. This gain has been reflected as a fair value movement in the financial statements. Settlement is expected to occur in June 2019.

In December 2018, GMT conditionally contracted the acquisition of a value-add property at Favona Road, Auckland for $29.0 million. The acquisition remains conditional on Overseas Investment Office consent.

During the year ended 31 March 2019 seven developments were completed and were independently valued at a total of $178.4 million.

Subsequent event

In May 2019, GMT unconditionally contracted the acquisition of a value-add property on Pilkington Road, Auckland for $9.9 million. Settlement is expected to occur in May 2019.

In May 2019, GMT conditionally contracted the disposal of three office buildings at Show Place Office Park, Christchurch for $13.1 million. This disposal is expected to result in a nil value gain on sale and is subject to the satisfaction of certain conditions, with settlement expected in July 2019.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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	2019	2018
Stabilised properties	1.6	165.2	89.1
Developments	1.7	26.2	21.0
Land	1.8	–	(5.6)
Investment property contracted for sale	1.9	10.5	(20.7)
Total movement in fair value of investment property		**201.9**	**83.8**

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

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 also 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 13.6 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 2019

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):

2019	Market capitalisation rate %	Market rental $ per sqm	Discount rate %	Rental growth rate %	Terminal capitalisation rate %
Industrial	5.7	134	7.5	2.7	6.0
Office	9.3	211	10.8	1.1	9.3

2018	Market capitalisation rate %	Market rental $ per sqm	Discount rate %	Rental growth rate %	Terminal capitalisation rate %
Industrial	6.1	130	7.9	2.7	6.4
Office	8.8	259	9.9	1.5	8.8

Land is valued based on recent comparable transactions, resulting in land values ranging between $246 per square metre ("psm") and $675 psm for industrial land (2018: between $230 psm and $650 psm) and $1,485 psm for office land (2018: between $850 psm and $1,500 psm).

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

1. Investment property (continued)

1.6 Stabilised properties

2019	$ million Valuation 2018	Acquisitions / transfers in	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2019	Valuer	Net lettable area sqm	Weighted market cap rate	Occupancy	WALT years
Core											
Highbrook Business Park, East Tamaki	1,091.3	160.6	6.4	–	64.5	**1,322.8**	Colliers, Savill	432,683	5.5%	97%	5.1
Savill Link, Otahuhu	237.8	23.4	–	–	31.3	**292.5**	CBRE	115,075	5.8%	100%	6.6
M20 Business Park, Wiri	233.6	–	–	–	13.6	**247.2**	JLL	108,462	6.1%	99%	4.3
The Gate Industry Park, Penrose	189.5	0.6	0.1	–	42.3	**232.5**	CBRE	85,361	5.5%	98%	3.3
Westney Industry Park, Mangere	119.8	–	3.5	–	(0.6)	**122.7**	CBRE	105,777	7.9%	98%	6.2
Total core	**1,872.0**	**184.6**	**10.0**	**–**	**151.1**	**2,217.7**		**847,358**			
Value-add	171.5	94.1	5.9	(24.7)	14.1	**260.9**	Colliers, CBRE	114,326	5.9%	93%	3.5
Total stabilised properties	**2,043.5**	**278.7**	**15.9**	**(24.7)**	**165.2**	**2,478.6**		**961,684**			

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 2019

1. Investment property (continued)

1.6 Stabilised properties (continued)

2018	$ million Valuation 2017	Acquisitions / transfers in	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2018	Valuer	Net lettable area sqm	Weighted market cap rate	Occupancy	WALT years
Core											
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
Total core	**1,670.5**	**110.2**	**7.9**	**–**	**83.4**	**1,872.0**		**793,946**			
Value-add	355.2	31.9	19.6	(240.9)	5.7	**171.5**	Colliers, CBRE	90,324	6.6%	94%	2.3
Total stabilised properties	**2,025.7**	**142.1**	**27.5**	**(240.9)**	**89.1**	**2,043.5**		**884,270**			

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 2019

1. Investment property (continued)

1.7 Developments

2019	Valuation / Cost 2018 ($ million)	Transfers in ($ million)	Net expenditure ($ million)	Fair value movement ($ million)	Transfers out ($ million)	Valuation / Cost 2019 ($ million)	Valuer	Lettable area sqm	Market cap rate	Committed Occupancy	WALT years
At fair value											
Highbrook Business Park, East Tamaki	47.1	5.1	88.4	17.7	(143.6)	14.7	Savill	2,236	6.4%	100%	9.5
Savill Link, Otahuhu	6.5	9.4	23.9	8.5	(23.4)	24.9	CBRE	14,050	5.3%	100%	15.0
At cost											
Highbrook Business Park, East Tamaki	3.6	26.2	8.9	–	–	38.7	At cost	35,238	–	18%	2.6
Savill Link, Otahuhu	–	5.7	0.5	–	–	6.2	At cost	5,485	–	–	–
Westney Industry Park, Mangere	–	–	0.7	–	–	0.7	At cost	7,890	–	–	–
Value-add	10.3	–	1.1	–	(11.4)	–	–	–	–	–	–
Total developments	**67.5**	**46.4**	**123.5**	**26.2**	**(178.4)**	**85.2**		**64,899**			

2018	Valuation / Cost 2017 ($ million)	Transfers in ($ million)	Net expenditure ($ million)	Fair value movement ($ million)	Transfers out ($ million)	Valuation / Cost 2018 ($ million)	Valuer	Lettable area sqm	Market cap rate	Committed Occupancy	WALT years
At fair value											
Highbrook Business Park, East Tamaki	24.3	8.8	31.4	12.8	(77.3)	–	–	–	–	–	–
The Gate Industry Park, Penrose	8.3	–	2.8	2.4	(13.5)	–	–	–	–	–	–
Savill Link, Otahuhu	4.7	–	8.6	3.5	(16.8)	–	–	–	–	–	–
Westney Industry Park, Mangere	–	–	2.6	–	(2.6)	–	–	–	–	–	–
Value-add	6.1	–	12.0	2.3	(20.4)	–	–	–	–	–	–
At cost											
Highbrook Business Park, East Tamaki	5.5	25.4	19.8	–	–	50.7	At cost	37,750	–	31%	8.8
Savill Link, Otahuhu	–	4.5	2.0	–	–	6.5	At cost	8,500	–	–	–
Value-add	–	8.6	1.7	–	–	10.3	At cost	11,098	–	–	–
Total developments	**48.9**	**47.3**	**80.9**	**21.0**	**(130.6)**	**67.5**		**57,348**			

Developments are categorised between fair value and cost based on their status at the end of the financial year.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

1. Investment property (continued)

1.7 Developments (continued)

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.

1.8 Land

	$ million							
2019	Valuation 2018	Acquisitions	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2019	Valuer	Net land area sqm
Highbrook Business Park, East Tamaki	101.0	–	7.7	(48.3)	(0.1)	60.3	Colliers	118,985
M20 Business Park, Wiri	6.6	–	0.5	–	(0.1)	7.0	CBRE	18,770
Savill Link, Otahuhu	11.9	4.7	0.6	(15.1)	0.2	2.3	JLL	8,810
The Gate Industry Park, Penrose	0.5	–	0.1	(0.6)	–	–	–	–
Total land	**120.0**	**4.7**	**8.9**	**(64.0)**	**–**	**69.6**		**146,565**

	$ million							
2018	Valuation 2017	Acquisitions	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2018	Valuer	Net land area sqm
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
Value-add	22.6	8.6	1.3	(32.5)	–	–	–	–
Total land	**174.7**	**10.9**	**11.2**	**(71.2)**	**(5.6)**	**120.0**		**247,516**

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 2019

1. Investment property (continued)

1.9 Investment property contracted for sale

	$ million					
2019	Carrying value 2018	Transfers in	Net expenditure	Fair value movement	Settlements	Carrying value 2019
Greenlane Office, Auckland	207.8	6.5	0.7	5.1	(211.6)	8.5
Glassworks, Christchurch	30.8	–	–	–	(30.8)	–
Concourse Industry Park, Henderson	–	29.6	–	5.4	–	35.0
Total investment property contracted for sale	**238.6**	**36.1**	**0.7**	**10.5**	**(242.4)**	**43.5**

	$ million					
2018	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**

Accounting policies

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

Significant transactions

For Greenlane Office, settlement of the sale of Central Park office buildings occurred in June 2018 with settlement of the land to occur in February 2020. Settlement of the sale of 614-616 Great South Road occurred in November 2018.

Settlement of the sale of separate properties at Glassworks Industry Park occurred in June 2018 and July 2018.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

2. Investment in joint venture

GMT formerly owned 51% of Wynyard Precinct Holdings Limited ("WPHL" or the "joint venture"), with the remaining 49% formerly owned by GIC, Singapore's sovereign wealth fund. The shareholders' agreement of WPHL ensured that joint control was maintained via equal board representation, with GMT unable to unilaterally direct the joint venture. Prior to the sale of WPHL by GMT and GIC, properties owned by the joint venture were managed by Goodman Property Services (NZ) Limited ("GPSNZ") on a similar basis to how GPSNZ manages GMT's wholly owned properties.

Significant transactions

In May 2018, the shareholders of WPHL agreed to sell all the shares in WPHL to Blackstone with the price based on a property portfolio value of $635.0 million, which represented a price of $300.8 million for the shares in WPHL. The transaction included full repayment of shareholder loans advanced to the joint venture and resulted in a gain of $35.1 million on disposal of GMT's equity accounted investment in WPHL. Settlement occurred on 14 December 2018.

Accounting policies

The joint venture was accounted for using the equity method until the date it was contracted for sale, after which it was classified as a held for sale asset and carried at its carrying amount immediately prior to change in classification. Accounting policies of the joint venture were aligned with policies of GMT.

Notes to the Financial Statements (continued)
For the year ended 31 March 2019

2. Investment in joint venture (continued)

2.1 WPHL Profit or Loss

	WPHL		GMT share at 51%	
$ million	**8½ mths to 14 Dec 2018**	12 mths to 31 Mar 2018	**8½ mths to 14 Dec 2018**	12 mths to 31 Mar 2018
Net property income	28.1	36.0		
Net interest costs	(10.5)	(15.7)		
Administrative expenses	(0.1)	(0.2)		
Operating earnings before other income / (expenses) and tax	**17.5**	**20.1**	**8.9**	**10.3**
Other income / (expenses) and tax				
Movement in fair value of investment properties	–	44.2		
Movement in fair value of derivative financial instruments	(0.1)	(0.6)		
Manager's base fee	(1.3)	(1.6)		
Income tax on operating earnings	(1.6)	(1.3)		
Income tax on non-operating earnings	0.4	–		
Deferred tax	(1.3)	(0.3)		
Other income / (expenses) and tax	**(3.9)**	**40.4**	**(2.0)**	**20.6**
Profit after tax	**13.6**	**60.5**	**6.9**	**30.9**

The following analysis is provided to show GMT's share of WPHL's earnings for the periods pre- and post- being contracted for sale. GMT's 51% share of pre-contracted for sale earnings (for April and May 2018) are equity accounted, which is consistent with prior years. GMT's share of post-contracted for sale earnings (for June to 14 December 2018) are not equity accounted, therefore an adjustment has been made to the non-GAAP measure of operating earnings in note 4.2 to allow for comparability to the prior year and to reflect GMT's continued economic interest in WPHL until settlement (defined as adjusted operating earnings).

Operating earnings – pre-contracted for sale (included in profit or loss)	2.1	10.3
Operating earnings – post-contracted for sale (included in adjusted operating earnings)	6.8	–
Operating earnings before other income / (expenses) and tax	**8.9**	**10.3**
Share of other (expenses) / income and tax from joint venture – pre-contracted for sale (included in profit or loss)	(0.5)	20.6
Share of other (expenses) / income and tax from joint venture – post-contracted for sale	(1.5)	–
Share of other (expenses) / income and tax from joint venture	**(2.0)**	**20.6**
Profit after tax – pre-contracted for sale (included in profit or loss)	1.6	30.9
Profit after tax – post-contracted for sale	5.3	–
Profit after tax	**6.9**	**30.9**

Notes to the Financial Statements (continued)
For the year ended 31 March 2019

2. Investment in joint venture (continued)

2.2 WPHL Balance Sheet

$ million	WPHL as at 31 Mar 2018		GMT 51% share 31 Mar 2018
Non-current assets	543.9		
Other assets	2.5		
Total assets	**546.4**		
Non-current liabilities	118.6		
Other liabilities	217.3		
Total liabilities	**335.9**		
Net assets	**210.5**		
Share capital	60.7		
Retained earnings	149.8		
Total equity	**210.5**		**107.4**
		Goodwill	**6.9**
		Investment in joint venture	**114.3**

2.3 Disposal of joint venture

$ million	2019	2018
Proceeds	153.3	–
Investment in joint venture (at settlement on 14 December 2018)	(116.0)	–
Sale costs	(2.2)	–
Profit on disposal of joint venture	**35.1**	**–**

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. Borrowings

3.1 Interest

$ million	2019	2018
Interest income		
Interest income	4.9	7.2
Total interest income	**4.9**	**7.2**
Interest costs		
Interest expense	(30.0)	(34.1)
Amortisation of borrowing costs	(3.2)	(4.1)
Borrowing costs capitalised [1]	12.3	12.3
Total interest cost	**(20.9)**	**(25.9)**
Net interest cost	**(16.0)**	**(18.7)**

[1] Borrowing costs of $6.0 million were capitalised to land (2018: $8.2 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.

3.2 Borrowings

$ million	2019	2018
Non-current		
Syndicated bank facility	12.0	262.0
Retail bonds	400.0	400.0
US Private Placement notes – New Zealand dollar amount on inception [1]	156.8	156.8
	568.8	**818.8**
US Private Placement notes – foreign exchange translation impact [1]	19.5	9.0
Unamortised borrowings establishment costs	(3.2)	(4.2)
Total non-current borrowings	**585.1**	**823.6**
Total borrowings	**585.1**	**823.6**

[1] US Private Placement notes comprise $156.8 million for funds received at the borrowing date and $19.5 million for the foreign exchange translation impact (2018: $9.0 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 Financial Statements (continued)

For the year ended 31 March 2019

3. Borrowings (continued)

3.3 Composition of borrowings

2019	Date issued	Expiry	Weighted average remaining term (years)	Interest rate	$ million	
					Facility drawn / Amount	Undrawn facility
Syndicated bank facilities	–	Oct 20 – Oct 21	2.0	Floating	12.0	288.0
Retail bonds – GMB020	Dec 13	Dec 20	1.7	6.20%	100.0	–
Retail bonds – GMB030	Jun 15	Jun 22	3.2	5.00%	100.0	–
Retail bonds – GMB040	May 17	May 24	5.2	4.54%	100.0	–
Retail bonds – GMB050	Mar 18	Sep 23	4.4	4.00%	100.0	–
US Private Placement notes	Jun 15	Jun 25	6.2	3.46%	US$40.0	–
US Private Placement notes	Jun 15	Jun 27	8.2	3.56%	US$40.0	–
US Private Placement notes	Jun 15	Jun 30	11.2	3.71%	US$40.0	–

2018	Date issued	Expiry	Weighted average remaining term (years)	Interest rate	$ million	
					Facility drawn / Amount	Undrawn facility
Syndicated bank facilities	–	Oct 19 – Oct 21	2.5	Floating	262.0	188.0
Retail bonds – GMB020	Dec 13	Dec 20	2.7	6.20%	100.0	–
Retail bonds – GMB030	Jun 15	Jun 22	4.2	5.00%	100.0	–
Retail bonds – GMB040	May 17	May 24	6.2	4.54%	100.0	–
Retail bonds – GMB050	May 18	Sep 23	5.4	4.00%	100.0	–
US Private Placement notes	Jun 15	Jun 25	7.2	3.46%	US$40.0	–
US Private Placement notes	Jun 15	Jun 27	9.2	3.56%	US$40.0	–
US Private Placement notes	Jun 15	Jun 30	12.2	3.71%	US$40.0	–

As at 31 March 2019 a $300.0 million (31 March 2018: $450.0 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 $67.5 million; 31 March 2018: each providing $101.25 million) and The Hongkong and Shanghai Banking Corporation Limited (providing $30.0 million; 31 March 2018: providing $45.0 million).

As at 31 March 2019, GMT's drawn borrowings had a weighted average remaining term of 5.0 years (2018: 5.1 years), with 98% being drawn from non-bank sources (2018: 68%).

Calculation of the weighted average remaining term assumes bank debt utilises the longest dated facilities.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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 as at 31 March 2018 incorporated GMT's 51% share of WPHL. Due to the disposal of WPHL, GMT no longer has an additional look through LVR.

	2019	2018		
$ million	GMT	GMT	WPHL @ 51%	GMT look through
Total borrowings	585.1	823.6	57.1	880.7
US Private Placement notes – foreign exchange translation impact	(19.5)	(9.0)	–	(9.0)
Cash	(3.1)	(4.7)	(1.1)	(5.8)
Investment property contracted for sale – settlement proceeds due	(43.5)	(238.6)	–	(238.6)
Borrowings for LVR calculation	**519.0**	**571.3**	**56.0**	**627.3**
Investment property	2,633.4	2,231.0	277.2	2,508.2
Assets for LVR calculation	**2,633.4**	**2,231.0**	**277.2**	**2,508.2**
Loan to value ratio %	**19.7%**	**25.6%**	**20.2%**	**25.0%**

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 and taking account of the effect of interest rate hedging.

	2019	2018
Weighted average cost of borrowings	4.9%	5.0%

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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)	
	2019	2018	**2019**	2018
Balance at the beginning of the year	1,287.8	1,280.2	1,408.7	1,398.7
Manager's base fee reinvested	7.1	7.6	10.4	10.0
Balance at the end of the year	**1,294.9**	**1,287.8**	**1,419.1**	**1,408.7**

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"). For the five year period ending on 31 March 2019, other than in limited circumstances as set out in the Trust Deed, GNZ is required to use its base fee for the period 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 measures are calculated as profit or adjusted operating earnings 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. Adjusted operating earnings after tax, as set out below, incorporates GMT's share of operating earnings of the WPHL joint venture between the date it was contracted for sale and settlement date (14 December 2018), reflecting GMT's continuing economic interest in the joint venture:

$ million	Note	**2019**	2018
Operating earnings before other income / (expenses) and tax		110.2	119.1
Share of operating earnings from joint venture – post-contracted for sale	2.1	6.8	–
Adjusted operating earnings before tax		**117.0**	**119.1**
Income tax on operating earnings		(16.7)	(16.9)
Share of income tax on operating earnings from joint venture	2.1	(0.8)	(0.6)
Adjusted operating earnings after tax		**99.5**	**101.6**

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

	Weighted units	
Million	**2019**	2018
Issued units at the beginning of the year	1,287.8	1,280.2
Manager's base fee	7.0	7.6
Weighted units	**1,294.8**	**1,287.8**

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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

4.2 Earnings per unit (continued)

cents per unit	2019	2018
Adjusted operating earnings per unit before tax	9.04	9.25
Adjusted operating earnings per unit after tax	7.68	7.89
Basic and diluted earnings per unit after tax	24.68	15.06

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.

	Diluted units	
Million	2019	2018
Issued units	1,294.9	1,287.8
Deferred units for Manager's base fee expected to be reinvested	3.1	4.0
Deferred units for Manager's performance fee expected to be reinvested	5.1	–
Diluted units	**1,303.1**	**1,291.8**

	2019	2018
Net tangible assets ($ million)	2,046.2	1,793.7
Net tangible assets per unit (cents)	157.0	138.9

4.4 Distributions

	2019	2018
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)	86.0	85.5
Distributions paid in the period ($ million)	86.0	85.5

Accounting policies

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

Subsequent event

On 14 May 2019 a cash distribution of 1.6625 cents per unit with 0.3167 cents per unit of imputation credits attached was declared. The record date for the distribution is 6 June 2019 and payment will be made on 20 June 2019.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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	2019	2018
Interest rate derivatives	(1.2)	(3.0)
Cross currency interest rate derivatives relating to US Private Placement notes	14.9	(10.9)
Total movement in fair value of derivative financial instruments	**13.7**	**(13.9)**
Foreign exchange rate movement on US Private Placement notes	(10.5)	5.4
Total movement in fair value of financial instruments	**3.2**	**(8.5)**

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 (2018: 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 2019 of between 1.88% (2018: 1.93%) for the 90 day BKBM and 2.09% (2018: 3.06%) for the 10 year swap rate. There were no changes to these valuation techniques during the period.

5.2 Derivative financial instruments

$ million	2019	2018
Cross currency interest rate derivatives		
Non-current assets	13.7	–
Non-current liabilities	–	(1.2)
Interest rate derivatives		
Non-current assets	11.3	8.9
Non-current liabilities	(12.1)	(17.5)
Net derivative financial instruments	**12.9**	**(9.8)**

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

5. Derivative financial instruments (continued)

5.3 Additional derivative information

	2019	2018
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)	8.5	9.5
Interest rate derivatives		
Notional contract value as payer ($ million)	435.0	495.0
Notional contract value as receiver ($ million)	200.0	200.0
Percentage of borrowings fixed	76%	60%
Interest rate range	2.4% – 4.3%	2.7% – 5.0%
Weighted average term to maturity (years)	3.7	4.5

6. Administrative expenses

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

6.1 Administrative expenses included within operating earnings

$ million	2019	2018
Valuation fees	(0.6)	(0.6)
Auditor's fees	(0.2)	(0.2)
Trustees fees	(0.3)	(0.3)
Other costs	(1.6)	(1.5)
Total administrative expenses included within operating earnings	**(2.7)**	**(2.6)**

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

6. Administrative expenses (continued)

6.2 Auditor's fees

$ million	2019	2018
Audit and review of financial statements	(0.2)	(0.2)
Other assurance related services	–	–
Other services	–	–
Total auditor's fees	**(0.2)**	**(0.2)**

Other assurance related services — Fees for other assurance related services of $7,000 (2018: $7,000) comprise work performed on the financial covenants of the bank facilities and the performance fee calculation.

Other services — Other services of $47,800 (2018: nil) comprise data analysis and advisory services relating to the review of an application to the Overseas Investment Office for approval to purchase a property.

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. See note 10.4 for further details regarding the calculation of the Manager's performance fee.

$ million	2019	2018
Manager's base fee expected to be reinvested in units	(8.6)	(8.3)
Manager's performance fee expected to be reinvested in units	(8.6)	–
Total administrative expenses incurred but not included within operating earnings	**(17.2)**	**(8.3)**

Notes to the Financial Statements (continued)
For the year ended 31 March 2019

7. Debtors and other assets

$ million	2019	2018
Current		
Debtors	1.4	0.3
Prepayments	0.1	0.2
Interest receivable	2.3	2.3
Other assets	9.8	6.5
Total debtors and other assets	**13.6**	**9.3**

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 simplified approach to providing for expected credit losses prescribed by NZ IFRS 9 has been applied, permitting the use of a lifetime expected loss provision for all trade receivables. The amount provided is the difference between the carrying amount and expected recoverable amount. There were no provisions for impairment in the year (2018: none).

8. Creditors and other liabilities

$ million	2019	2018
Current		
Creditors	0.8	0.3
Interest payable	6.4	7.1
Related party payables	1.7	0.5
Accrued capital expenditure	26.6	27.0
Other liabilities	12.1	14.3
Total creditors and other liabilities	**47.6**	**49.2**

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 2019

9. Tax

9.1 Tax expense

$ million	2019	2018
Profit before tax	334.8	207.2
Tax at 28%	(93.7)	(58.0)
Depreciation of investment property	4.9	5.7
Movement in fair value of investment property	56.5	23.5
Disposal of investment property	0.9	0.6
Disposal of joint venture	9.0	–
Deductible net expenditure for investment property	5.3	5.2
Share of joint venture net profit less dividends received	1.9	8.6
Derivative financial instruments	0.9	(2.4)
Performance fee	(2.4)	–
Other	–	(0.1)
Current tax on operating earnings	**(16.7)**	**(16.9)**
Depreciation recovery income for property sold and settled	(3.4)	(0.4)
Settlement of derivative financial instruments	2.4	0.8
Disposal of investment property	(0.9)	–
Performance fee	2.4	–
Current tax on non-operating earnings	**0.5**	**0.4**
Current tax	**(16.2)**	**(16.5)**
Depreciation of investment property	(5.0)	(0.4)
Reduction of liability in respect of depreciation recovery income	8.3	3.7
Deferred expenses	0.8	(1.6)
Derivative financial instruments	(3.3)	1.5
Borrowing issue costs	0.1	0.1
Deferred tax	**0.9**	**3.3**
Total tax	**(15.3)**	**(13.2)**

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 2019

9. Tax (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	2019	2018
Deferred tax assets		
Derivative financial instruments	1.9	5.2
Total deferred tax assets	**1.9**	**5.2**
Deferred tax liabilities		
Investment properties – depreciation recoverable	(18.2)	(21.5)
Investment properties – deferred expenses	(7.9)	(8.7)
Borrowings issue costs	(0.3)	(0.4)
Total deferred tax liabilities	**(26.4)**	**(30.6)**
Net deferred tax	**(24.5)**	**(25.4)**

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 2019

10. Related party disclosures

As a Unit Trust, GMT does not have any employees. Consequently services that the Group requires are provided 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 former joint venture WPHL
Goodman Investment Holdings (NZ) Limited	GIH	Unitholder in GMT
Goodman Limited	GL	Parent entity of GNZ, GPSNZ & GIH
Goodman Industrial Trust	GIT	Property co-owner with GMT
Wynyard Precinct Holdings Limited	WPHL	Former joint venture between GMT and GIC, Singapore's sovereign wealth fund (sale of WPHL settled on 14 December 2018)

10.1 Transactions with related parties other than WPHL

		Recorded		Capitalised		Outstanding	
$ million	Related party	**2019**	2018	**2019**	2018	**2019**	2018
Manager's base fee	GNZ	(9.8)	(9.4)	1.2	1.1	(5.3)	(5.3)
Manager's performance fee	GNZ	(8.6)	–	–	–	(8.6)	–
Property management fees [1]	GPSNZ	(3.3)	(3.5)	–	–	(0.3)	–
Leasing fees	GPSNZ	(2.1)	(2.0)	–	–	(0.1)	(0.4)
Acquisition and disposal fees	GPSNZ	(4.2)	(0.3)	1.1	–	–	–
Minor project fees	GPSNZ	(1.0)	(0.7)	1.0	0.7	(0.4)	–
Development management fees	GPSNZ	(5.1)	(4.9)	5.1	4.9	(0.8)	–
Total fees		**(34.1)**	**(20.8)**	**8.4**	**6.7**	**(15.5)**	**(5.7)**
Reimbursement of expenses for services provided	GPSNZ	(1.5)	(1.5)	0.3	0.1	(0.1)	(0.1)
Total reimbursements		**(1.5)**	**(1.5)**	**0.3**	**0.1**	**(0.1)**	**(0.1)**
Land acquisition – Savill Link	GIT	(4.7)	(2.3)	4.7	2.3	–	–
Total capital transactions		**(4.7)**	**(2.3)**	**4.7**	**2.3**	**–**	**–**
Issue of units for Manager's base fee reinvested	GIH	10.4	10.0	–	–	–	–
Total issue of units for Manager's base fee reinvested		**10.4**	**10.0**	**–**	**–**	**–**	**–**
Distributions paid	GIH	(18.3)	(18.0)	–	–	–	–
Total distributions paid		**(18.3)**	**(18.0)**	**–**	**–**	**–**	**–**

[1] Of the property management fees charged by GPSNZ, $3.0 million was paid by customers and was not a cost borne by GMT (2018: $3.1 million).

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

10. Related party disclosures (continued)

10.2 Transactions with WPHL

$ million	Related party	Recorded 2019	Recorded 2018	Capitalised 2019	Capitalised 2018	Outstanding 2019	Outstanding 2018
Investment in joint venture	WPHL	–	(13.3)	–	–	–	–
Repayments from / (advances to) joint venture	WPHL	107.5	(89.1)	–	–	–	(107.5)
Interest income received from joint venture	WPHL	3.8	5.8	–	–	–	–
Funding fee received from joint venture	WPHL	–	0.1	–	–	–	–
Dividends received from joint venture	WPHL	2.1	0.5	–	–	–	–

Advances to WPHL were unsecured and were subordinated to WPHL's bank debt prior to disposal. The advances were repayable on demand and incurred a market rate of interest for advances of this type.

Significant transactions

Advances to the joint venture were repaid at settlement of the WPHL disposal in December 2018.

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 (2018: none). This agreement was approved by unitholders at a general meeting held on 23 March 2004.

GMT purchased land at Savill Link for $4.7 million in June 2018 (2018: $2.3 million) that was co-owned via the Co-ownership Agreement between GMT and Goodman Industrial Trust.

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 2019, Goodman Group, GNZ's ultimate parent, through its subsidiary Goodman Investment Holdings (NZ) Limited, held 277,250,271 units in GMT out of a total 1,294,900,545 units on issue (31 March 2018: 273,248,744 units out of a total 1,287,781,937 units).

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 expiring 31 March 2019, 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

10. Related party disclosures (continued)

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, provided that the Independent Directors of GNZ consider it in the best interests of GMT unitholders for the Manager to do so. The issue price for these units is equal to the higher of market price and the net asset value per unit.

At 31 March 2019 a performance fee of $8.6 million is payable, with a carry forward of $11.2 million to include in the calculation for future periods (2018: deficit of $1.1 million carried forward to include in the calculation for 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 instead 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 2019

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 Related party capital commitments

$ million	Related party	2019	2018
Development management fees for developments in progress	GPSNZ	4.8	2.4
Total related party capital commitments		**4.8**	**2.4**

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	2019	2018
Completion of developments	79.1	72.1
Acquisition – Favona Road	29.0	–
Total non-related party capital commitments	**108.1**	**72.1**

11.2 Contingent liabilities

GMT has no material contingent liabilities.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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	2019	2018
Year 1	3.2	3.2
Year 2	3.2	3.2
Year 3	3.2	3.3
Year 4	3.2	3.4
Year 5	3.2	3.4
Year 6 and later	9.5	9.9
Total	**25.5**	**26.4**

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

$ million	2019	2018
Profit after tax	319.5	194.0
Non-cash items:		
Movement in fair value of investment property	(201.9)	(83.8)
Disposal of investment property	–	(0.5)
Deferred lease incentives	0.4	(1.5)
Deferred leasing costs	(0.6)	(1.4)
Fixed rental income adjustments	(1.0)	(1.4)
Share of profit arising from joint venture	(3.7)	(30.9)
Issue costs and subsequent amortisation for non-bank borrowings	1.0	0.2
Movement in fair value of derivative financial instruments	(3.2)	8.5
Manager's base fee expected to be reinvested in units	–	0.3
Manager's performance fee expected to be reinvested in units	8.6	–
Disposal of joint venture	(35.1)	–
Deferred tax	(0.9)	(3.3)
Net cash flows from operating activities before changes in assets and liabilities	**83.1**	**80.2**
Movements in working capital from:		
Trade and other receivables	(0.3)	1.5
Trade and other payables	(3.0)	7.1
Current tax liabilities	(0.6)	0.9
Movements working capital	**(3.9)**	**9.5**
Net cash flows from operating activities	**79.2**	**89.7**

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

13. 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.

13.1 Financial instruments

The following items in the Balance Sheet are classified as financial instruments: Cash, debtors and other assets, advances to joint venture, 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.

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 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.

13.2 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	2019	2018
Impact to net profit after tax of a 25 basis point increase in interest rates	(0.7)	(0.8)
Impact to net profit after tax of a 25 basis point decrease in interest rates	0.7	0.8

13.3 Credit risk

Credit risk arises from cash, derivative financial instruments, advances to joint venture 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 a joint venture the financial performance of the joint venture is monitored and assessed. 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, 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

13. Financial risk management (continued)

13.4 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
2019								
Borrowings	26.5	124.7	32.1	116.1	112.6	279.9	691.9	585.1
Derivative financial instruments	14.4	14.4	7.8	7.9	2.3	4.7	51.5	12.1
Creditors and other liabilities	47.6	–	–	–	–	–	47.6	47.6
Total	**88.5**	**139.1**	**39.9**	**124.0**	**114.9**	**284.6**	**791.0**	**644.8**
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**

13.5 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

13. Financial risk management (continued)

13.6 Fair value of financial instruments

Except for the retail 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 and US Private Placement notes are as follows:

$ million	Fair value hierarchy	2019	2018
Retail bonds	Level 1	421.1	416.2
US Private Placement Notes	Level 2	US$118.4	US$113.7

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 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.

14. 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

We have audited the financial statements which comprise:

- the balance sheet as at 31 March 2019;
- 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 accompanying 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 2019, 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, agreed upon procedures relating to the financial covenants of the bank facilities and data analysis and advisory services relating to the review of an application to the Overseas Investment Office for approval to purchase a property. 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 about 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 property.

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 movement in fair value of investment property and financial instruments.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is 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 judgement, 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 property. 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 these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property Refer to note 1 of the financial statements. The Group's investment properties comprise industrial and office properties and at $2.6 billion represented the majority of the Group's assets as at 31 March 2019. 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. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, location and expected future rental income for each respective property. 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. The valuations were carried out by third party valuers selected by the Group and rotated across the portfolio on a three yearly cycle. The valuers were engaged to value investment properties, and performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuers used are well-known firms, with experience in the markets in which the Group operates. In determining a property's valuation, the valuers take into account property specific information such as current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rates, 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, as well as the qualities of the property as a whole. The Group has adopted the assessed values determined by the valuers.	There is subjectivity involved in determining the appropriate valuations for individual properties, including alternative assumptions and valuation methods. We therefore determined a range of values that were considered reasonable for each individual property. In assessing whether the valuation falls within this range, we perform the following procedures. **External valuations** We read the valuation reports and discussed the reports with the respective valuer. 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 property at 31 March 2019. We assessed the valuers' qualifications, expertise and their objectivity. We also considered whether or not there was bias in determining individual valuations. On a sample basis, we agreed property specific information supplied to the valuers by Goodman (NZ) Limited (the Manager) to the underlying property records held by the Group. 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. **Assumptions** Our work over the assumptions focused on the largest properties in the portfolio and 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 valuation specialist to critique and challenge the valuers approach and assumptions used. We concluded that the assumptions used in the valuations were supportable in light of available market evidence. From the procedures performed, we have no matters to report.

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 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 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 intend to liquidate the Group or to cease operations, or have 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 the 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.

Independent auditor's report (continued)

To the unitholders of Goodman Property Trust

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

- 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.
- 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:

PricewaterhouseCoopers

Chartered Accountants
14 May 2019

Auckland