
Move Logistics, Highbrook Business Park

GOODMAN PROPERTY TRUST

FINANCIAL STATEMENTS

For the year ended 31 March 2022

CONTENTS

The Board of Goodman (NZ) Limited, the Manager of Goodman Property Trust, authorised these financial statements for issue on 18 May 2022.
For and on behalf of the Board:

Keith Smith
Chair

Laurissa Cooney
Chair, Audit Committee

PROFIT OR LOSS

For the year ended 31 March 2022

$ million	Note	2022	2021
Property income	1.1	187.8	182.0
Property expenses		(30.7)	(29.0)
Net property income		157.1	153.0
Interest cost	2.1	(20.0)	(22.5)
Interest income	2.1	0.3	0.2
Net interest cost		(19.7)	(22.3)
Administrative expenses	5	(3.2)	(3.0)
Manager's base fee	9	(15.9)	(12.8)
Operating earnings before other income / (expenses) and tax		**118.3**	**114.9**
Other income / (expenses)			
Movement in fair value of investment property	1.5	660.4	560.0
Movement in fair value of financial instruments	4.1	0.8	(12.3)
Manager's performance fee expected to be reinvested in units	9	(15.7)	(13.7)
Profit before tax		**763.8**	**648.9**
Tax			
Current tax on operating earnings	8.1	(19.0)	(19.5)
Current tax on non-operating earnings	8.1	4.4	5.8
Deferred tax	8.1	(0.6)	(3.5)
Total tax		**(15.2)**	**(17.2)**
Profit after tax attributable to unitholders		**748.6**	**631.7**

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

Cents	Note	2022	2021
Basic earnings per unit after tax	3.1	53.57	45.41

BALANCE SHEET

As at 31 March 2022

$ million	Note	2022	2021
Non-current assets			
Investment property	1.3	4,773.2	3,789.3
Deposits paid for investment property		1.1	–
Derivative financial instruments	4.2	30.4	30.3
Total non-current assets		**4,804.7**	**3,819.6**
Current assets			
Debtors and other assets	6	5.5	8.9
Derivative financial instruments	4.2	0.5	–
Cash		3.6	3.0
Total current assets		**9.6**	**11.9**
Total assets		**4,814.3**	**3,831.5**
Non-current liabilities			
Borrowings	2.2	917.1	730.1
Lease liabilities	2.5	62.7	62.3
Derivative financial instruments	4.2	2.5	3.9
Deferred tax liabilities	8.2	36.0	35.4
Total non-current liabilities		**1,018.3**	**831.7**
Current liabilities			
Borrowings	2.2	100.0	–
Creditors and other liabilities	7	32.8	25.4
Lease liabilities	2.5	3.3	3.2
Current tax payable		2.5	2.0
Total current liabilities		**138.6**	**30.6**
Total liabilities		**1,156.9**	**862.3**
Net assets		**3,657.4**	**2,969.2**
Total equity		**3,657.4**	**2,969.2**

CASH FLOWS

For the year ended 31 March 2022

$ million	Note	2022	2021
Cash flows from operating activities			
Property income received		194.5	190.0
Property expenses paid		(37.4)	(37.1)
Interest income received		0.3	0.2
Interest costs paid on borrowings		(15.6)	(20.0)
Interest costs paid on lease liabilities		(3.3)	(3.2)
Administrative expenses paid		(3.1)	(2.9)
Manager's base fee paid		(15.8)	(12.7)
Manager's performance fee paid		(13.7)	(11.4)
Net GST (paid) / received		(1.0)	1.0
Tax paid		(14.1)	(14.1)
Net cash flows from operating activities	11	**90.8**	**89.8**
Cash flows from investing activities			
Payments for the acquisition of investment properties		(245.4)	(83.4)
Proceeds from the sale of investment properties		4.6	–
Capital expenditure payments for investment properties		(64.2)	(68.2)
Holding costs capitalised to investment properties		(8.8)	(6.1)
Net cash flows from investing activities		**(313.8)**	**(157.7)**
Cash flows from financing activities			
Proceeds from borrowings		632.0	342.0
Repayments of borrowings		(346.0)	(206.0)
Proceeds from the issue of units		13.7	11.4
Distributions paid to unitholders		(76.1)	(78.3)
Settlement of derivative financial instruments		–	(7.2)
Net cash flows from financing activities		**223.6**	**61.9**
Net movement in cash		**0.6**	**(6.0)**
Cash at the beginning of the year		3.0	9.0
Cash at the end of the year		**3.6**	**3.0**

CHANGES IN EQUITY

For the year ended 31 March 2022

	Note	Distribution per unit (cents)	Number of units (million)	Units ($ million)	Unit based payments reserve ($ million)	Retained earnings ($ million)	Total ($ million)
As at 1 April 2020			1,385.8	1,605.0	11.4	785.7	2,402.1
Profit after tax				–	–	631.7	631.7
Distributions paid to unitholders		5.64		–	–	(78.3)	(78.3)
Manager's performance fee – earned	9			–	13.7	–	13.7
Issue of units							
Manager's performance fee – settled	9		5.4	11.4	(11.4)	–	–
As at 31 March 2021			**1,391.2**	**1,616.4**	**13.7**	**1,339.1**	**2,969.2**
Profit after tax				–	–	748.6	748.6
Distributions paid to unitholders		5.45		–	–	(76.1)	(76.1)
Manager's performance fee – earned	9			–	15.7	–	15.7
Issue of units							
Manager's performance fee – settled	9		6.1	13.7	(13.7)	–	–
As at 31 March 2022			**1,397.3**	**1,630.1**	**15.7**	**2,011.6**	**3,657.4**

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

SUBSEQUENT EVENT

On 18 May 2022 a cash distribution of 1.375 cents per unit with 0.182231 cents per unit of imputation credits attached was declared. The record date for the distribution is 26 May 2022 and payment will be made on 9 June 2022.

GENERAL INFORMATION

For the year ended 31 March 2022

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

Covenant Trustee Services Limited is the Trustee and Supervisor for GMT.

BASIS OF PREPARATION AND MEASUREMENT

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the FMCA 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 1.4)
+ Derivative financial instruments (note 4.1)
+ Deferred tax (note 8.2)

SIGNIFICANT ACCOUNTING POLICIES

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

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

Other significant accounting policies are disclosed in the relevant notes.

CHANGES IN ACCOUNTING POLICY

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the financial statements for the year ended 31 March 2021. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the financial statements.

NEW ACCOUNTING STANDARDS NOW ADOPTED

There have been no new accounting standards that are applicable to these financial statements.

COVID-19 GLOBAL PANDEMIC

During the year ended 31 March 2022, New Zealand has been subject to various restriction periods associated with the COVID-19 global pandemic, with Auckland being subject to greater restrictions than the balance of the country (https://covid19.govt.nz/covid-19/alert-system/).

Support has been provided to customers impacted by COVID-19 in a range of manners including rent abatements, rent deferrals and lease restructures. This support includes that required from the COVID-19 Response (Management Measures) Legislation Act, passed by New Zealand parliament in November 2021. The Act introduced an implied clause into all leases, for rental periods from 18 August 2021 until such time as the Government determines the relevant epidemic response is no longer required.

The clause states, that where there is an epidemic and the lessee is unable to gain access to all or any part of the leased premises to fully conduct their business, because of reasons of health or safety related to the epidemic, then a fair proportion of the rent will cease to be payable. The implied clause does not apply if there is a pre-commencement agreement in place (being any agreement relating to the payment of rent for the affected period).

In determining the fair proportion, the matters that the lessor and lessee must consider, include any loss of income experienced by the lessee in respect of that rental period because, for all or any of that rental period, (a) there is an epidemic; and (b) the lessee is unable to gain access to all or any part of the leased premises to conduct fully their operations in all or any part of the leased premises, because of reasons of health or safety related to the epidemic.

The Group continues to monitor closely the ongoing impacts of COVID-19 to its customers and to the New Zealand economy. The Group's operations are being managed conservatively and prudently in relation to potential impacts on GMT resulting from COVID-19.

1. Investment property

Property income is earned from investment property leased to customers.

1.1. Property income

$ million	2022	2021
Gross lease receipts	172.3	168.2
Service charge income	23.0	20.9
Straight line rental adjustments	0.3	1.7
Amortisation of capitalised lease incentives	(7.8)	(8.8)
Property income	**187.8**	**182.0**

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.

Service charge income is recognised for the recoverable portion of customer's property operating expenses incurred in the accounting period.

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	2022	2021
Year 1	181.1	160.5
Year 2	175.1	142.5
Year 3	154.3	121.8
Year 4	134.2	101.1
Year 5	113.3	85.5
Year 6 and later	608.9	400.1
Total future contracted gross lease receipts	**1,366.9**	**1,011.5**

1. Investment property (continued)

1.3. Total investment property

This table details the total investment property value.

$ million	2022 Stabilised properties	2022 Investment property under development	2022 Total	2021 Stabilised properties	2021 Investment property under development	2021 Total
Core						
Highbrook Business Park, East Tāmaki	2,283.3	59.9	2,343.2	1,917.0	57.4	1,974.4
Savill Link, Ōtāhuhu	566.4	4.4	570.8	457.0	4.1	461.1
M20 Business Park, Manukau	460.6	–	460.6	351.2	11.8	363.0
The Gate Industry Park, Penrose	413.7	–	413.7	284.0	–	284.0
Westney Industry Park, Māngere	210.4	–	210.4	221.8	–	221.8
Total core	**3,934.4**	**64.3**	**3,998.7**	**3,231.0**	**73.3**	**3,304.3**
Value-add	556.2	218.3	774.5	485.0	–	485.0
Total investment property	**4,490.6**	**282.6**	**4,773.2**	**3,716.0**	**73.3**	**3,789.3**

Included within stabilised properties is a gross-up equivalent to lease liabilities of $66.0 million (31 March 2021: $65.5 million).

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

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

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

SIGNIFICANT TRANSACTIONS

In August 2021, GMT contracted the acquisition of land at Māngere, Auckland for $75.0 million. In March 2022, GMT settled the majority of this land acquisition for $65.0 million, with the balance of the acquisition subject to the satisfaction of a subdivision condition expected to occur in FY23.

In February 2022, GMT completed the acquisition of a core property adjoining The Gate Industry Park, Penrose for $60.5 million, and also completed the acquisition of a value-add property at Albany, Auckland for $55.6 million.

In March 2022, GMT completed the acquisition of value-add properties at Mt Wellington, Auckland for $56.0 million.

During the year ended 31 March 2022, three developments were completed and were independently valued at a total of $54.7 million.

1. Investment property (continued)

1.3. Total investment property (continued)

SUBSEQUENT EVENT

In May 2022, GMT unconditionally contracted the acquisition of a value-add property in Ōtāhuhu, Auckland for $49.4 million with settlement expected to occur in late May 2022.

1.4. Valuation of investment property

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, from a panel of valuation companies comprising Bayleys Valuations Limited, CBRE Limited, Colliers International New Zealand Limited, Jones Lang LaSalle Limited & Savills (NZ) Limited.

Fair value reflects the Board's assessment of the highest and best use of each property at the end of the reporting period. If the Board's view of the highest and best use has changed, then 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.

The Group has considered the impact of climate change on the business and the valuation of investment property. To date, the panel of independent valuers used have made no explicit adjustments to valuations in respect of climate change matters. The Group acknowledges that climate change considerations will likely have a greater influence on valuations in the future as markets place a greater emphasis on these matters.

1. Investment property (continued)

1.4. Valuation of investment property (continued)

KEY JUDGEMENT (continued)

All investment property is categorised as level 3 in the fair value hierarchy. Refer to note 12.6 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.

The key valuation inputs used to measure fair value of investment property and investment property under development held at fair value are disclosed below, along with the weighted average value for each input:

		Weighted average valuation input value		Measurement sensitivity	
Key valuation input	**Description**	**2022**	2021	**Increase in the input**	**Decrease in the input**
Market capitalisation rate	The capitalisation rate applied to the market rental to assess a property's value. Derived from similar transactional evidence considering location, weighted average lease term, customer covenant, size and quality of the property. Used in the capitalisation method.	4.2%	4.7%	Decrease	Increase
Market rental	The valuer's assessment of the annual net market income per square metre ("psm") attributable to the property; includes both leased and vacant areas. Used in both the capitalisation method and the DCF method.	$144 psm	$139 psm	Increase	Decrease
Discount rate	The rate applied to future cashflows; it reflects transactional evidence from similar types of property assets. Used in the DCF method.	6.1%	6.2%	Decrease	Increase
Rental growth rate	The rate applied to the market rental over the 10-year cashflow projection. Used in the DCF method.	2.7% p.a.	2.3% p.a.	Increase	Decrease
Terminal capitalisation rate	The rate used to assess the terminal value of the property. Used in the DCF method.	4.3%	4.8%	Decrease	Increase

1. Investment property (continued)

1.4. Valuation of investment property (continued)

The market capitalisation rate is the main determinant of value in the valuation of investment property. The impact of a 1.0% increase in the market capitalisation rate from 4.2% to 5.2% would be equivalent to a decrease of $863.6 million / 18.1% in the fair value of investment property.

Land is valued based on recent comparable transactions, resulting in land values ranging between $211 psm and $649 psm (2021: between $232 psm and $1,150 psm).

IMPACT OF COVID-19 GLOBAL PANDEMIC TO THE FAIR VALUE ASSESSMENT OF INVESTMENT PROPERTY

During the year ended 31 March 2022, New Zealand has been subject to various restriction periods associated with the COVID-19 global pandemic, with Auckland being subject to greater restrictions than the balance of the country. Despite these restrictions, an increased level of certainty has remained in the investment market with continued confidence in the economic outlook. Real estate investor confidence remains high based on current market capitalisation rates applied and rental growth rates. Greater certainty also exists for the key valuation inputs that impact valuations as detailed on the preceding page.

The following table details the movement in fair value of investment property during the financial year split between the first half (six months to 30 September 2021) and the second half (1 October 2021 to 31 March 2022), with comparative information for the FY21 year.

		1H FY22 movements			2H FY22 movements		
$ million	**Fair value at 31 Mar 2021**	**Fair value movement**	**Other movements**	**Fair value at 30 Sep 2021**	**Fair value movement**	**Other movements**	**Fair value at 31 Mar 2022**
Stabilised properties	**3,716.0**	489.8	(110.4)	**4,095.4**	143.6	251.6	**4,490.6**
Investment property under development	**73.3**	14.9	144.2	**232.4**	12.1	38.1	**282.6**
Total investment property	**3,789.3**	**504.7**	**33.8**	**4,327.8**	**155.7**	**289.7**	**4,773.2**

		1H FY21 movements			2H FY21 movements		
$ million	Fair value at 31 Mar 2020	Fair value movement	Other movements	Fair value at 30 Sep 2020	Fair value movement	Other movements	Fair value at 31 Mar 2021
Stabilised properties	**2,951.8**	129.9	136.4	**3,218.1**	406.6	91.3	**3,716.0**
Investment property under development	**122.2**	10.3	(8.3)	**124.2**	13.2	(64.1)	**73.3**
Total investment property	**3,074.0**	**140.2**	**128.1**	**3,342.3**	**419.8**	**27.2**	**3,789.3**

Other movements comprise Acquisitions, Transfers In, Net Expenditure, Disposals, Transfers Out and the impact of NZ IFRS 16. See note 1.6 for an explanation of each item.

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	2022	2021
Stabilised properties	1.6	633.4	536.5
Investment property under development	1.7	27.0	23.5
Total movement in fair value of investment property		**660.4**	**560.0**

1.6. Stabilised properties

2022	Valuation 2021 ($ million)	Right of use asset ($ million)	Acquisitions / transfers in ($ million)	Net expenditure ($ million)	Disposals / transfers out ($ million)	Fair value movement ($ million)	Valuation 2022 ($ million)	Valuer	Net lettable area sqm	Weighted market cap rate	Occupancy	WALT years
Core												
Highbrook Business Park, East Tāmaki	**1,917.0**	–	17.6	4.0	–	344.7	**2,283.3**	CBRE, Colliers, JLL, Savills	469,684	4.0%	100%	6.1
Savill Link, Ōtāhuhu	**457.0**	–	–	2.1	–	107.3	**566.4**	Bayleys	143,887	4.0%	100%	5.0
M20 Business Park, Manukau	**351.2**	–	49.2	3.0	–	57.2	**460.6**	Colliers	121,400	4.4%	100%	4.4
The Gate Industry Park, Penrose	**284.0**	–	61.3	(0.2)	–	68.6	**413.7**	JLL	100,307	4.1%	100%	3.6
Westney Industry Park, Māngere	**221.8**	0.5	–	3.8	–	(15.7)	**210.4**	Savills	113,520	4.8%	98%	6.6
Total core	**3,231.0**	**0.5**	**128.1**	**12.7**	**–**	**562.1**	**3,934.4**		**948,798**			
Value-add	485.0	–	116.9	5.1	(122.1)	71.3	**556.2**	CBRE, Collier, JLL, Savills	125,180	4.8%	98%	3.6
Total stabilised properties	**3,716.0**	**0.5**	**245.0**	**17.8**	**(122.1)**	**633.4**	**4,490.6**		**1,073,978**	**4.2%**	**99%**	**6.3**

1. Investment property (continued)

1.6. Stabilised properties (continued)

Right of use asset	reflects a gross-up equivalent to lease liability modifications.
Acquisitions	reflect the purchase price and any associated transaction costs.
Transfers in	represent the net book value transferred into 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 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.

	$ million											
2021	Valuation 2020	Right of use asset	Acquisitions / transfers in	Net expenditure	Disposals / transfers out	Fair value movement	Valuation 2021	Valuer	Net lettable area sqm	Weighted market cap rate	Occupancy	WALT years
Core												
Highbrook Business Park, East Tāmaki	**1,527.6**	–	71.3	6.6	–	311.5	**1,917.0**	CBRE, Colliers, JLL	469,584	4.5%	99%	6.3
Savill Link, Ōtāhuhu	**361.9**	–	17.1	0.2	–	77.8	**457.0**	Bayleys	134,960	4.6%	100%	5.8
M20 Business Park, Manukau	**279.1**	–	20.3	2.3	–	49.5	**351.2**	Colliers	112,372	4.8%	99%	4.2
The Gate Industry Park, Penrose	**244.1**	–	–	1.8	–	38.1	**284.0**	Colliers, JLL	85,439	5.0%	100%	2.9
Westney Industry Park, Māngere	**193.9**	2.3	17.1	0.2	–	8.3	**221.8**	Savills	114,161	6.0%	95%	4.6
Total core	**2,606.6**	**2.3**	**125.8**	**11.1**	**–**	**485.2**	**3,231.0**		**916,516**			
Value-add	**345.2**	–	84.1	4.4	–	51.3	**485.0**	CBRE, Colliers, JLL, Savills	181,182	5.1%	93%	2.6
Total stabilised properties	**2,951.8**	**2.3**	**209.9**	**15.5**	**–**	**536.5**	**3,716.0**		**1,097,698**	4.7%	**98%**	**5.5**

1. Investment property (continued)

1.6. Stabilised properties (continued)

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.

For leases where the Group is a lessee, the Group recognises a right of use asset at the commencement date of the lease, being the date the underlying asset is available for use. Investment property is defined to include both owned investment property and investment property held by a lessee as a right of use asset. The Group therefore measures all investment property using the same measurement basis, being the fair value model. The value of the right of use assets represents the fair value of a freehold interest in the land subject to ground lease interests held by GMT. Investment property is adjusted for cash flows relating to lease liabilities already recognised separately on the balance sheet and also reflected in the investment property valuations.

1. Investment property (continued)

1.7. Investment property under development

Investment property under development comprises land held for future development and developments under construction, held at either fair value or held at cost.

	$ million					
2022	**Carrying value 2021**	**Acquisitions / Transfers in**	**Net expenditure**	**Fair value movement**	**Transfers out**	**Carrying value 2022**
Roma Road, Mt Roskill	–	94.5	17.6	–	–	112.1
Villa Maria, Māngere	–	66.1	0.4	1.5	–	68.0
Highbrook Business Park, East Tāmaki	57.4	–	18.6	1.5	(17.6)	59.9
Favona Road, Favona	–	27.6	10.6	–	–	38.2
Savill Link, Ōtāhuhu	4.1	–	0.2	0.1	–	4.4
M20 Business Park, Manukau	11.8	–	13.5	23.9	(49.2)	–
Total investment property under development	**73.3**	**188.2**	**60.9**	**27.0**	**(66.8)**	**282.6**

Included within investment property under development is $81.8 million of land held at fair value and $200.8 million of commenced developments held at the land transfer value plus subsequent capital expenditure. There are no developments under construction recorded at fair value.

	$ million					
2021	Carrying value 2020	Acquisitions / Transfers in	Net expenditure	Fair value movement	Transfers out	Carrying value 2021
Highbrook Business Park, East Tāmaki	89.2	–	27.7	11.8	(71.3)	57.4
M20 Business Park, Manukau	10.9	–	13.2	8.0	(20.3)	11.8
Savill Link, Ōtāhuhu	19.9	–	0.3	1.0	(17.1)	4.1
Westney Industry Park, Māngere	2.2	–	12.2	2.7	(17.1)	–
Total investment property under development	**122.2**	**–**	**53.4**	**23.5**	**(125.8)**	**73.3**

Included within investment property under development is $35.5 million of land held at fair value, $37.8 million of commenced developments held at the land transfer value plus subsequent capital expenditure. There are no developments under construction recorded at fair value.

1. Investment property (continued)

1.7. Investment property under development (continued)

ACCOUNTING POLICIES

Investment property under development includes properties that are being constructed for future use as stabilised property and land to be developed as stabilised property in the future. On acquisition, investment property under development is recorded at cost, including related transaction costs. Stabilised property to be redeveloped is transferred at the carrying value prior to transfer. All subsequent costs and capital expenditure directly associated with investment property under development is capitalised.

Holding costs are capitalised if they are directly attributable to the 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 expenditure and borrowing costs are being incurred. The amount capitalised is determined by applying the weighted average cost of debt to borrowings attributed to the investment property under development. Capitalisation of borrowing costs continues 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.

Land is carried at fair value, independently valued at least annually, with any changes in valuation recognised in Profit or Loss.

2. Borrowings

2.1. Interest

$ million	2022	2021
Interest expense on borrowings	(21.5)	(21.5)
Interest expense on lease liabilities	(3.3)	(3.2)
Amortisation of borrowing costs	(3.0)	(3.3)
Borrowing costs capitalised [1]	7.8	5.5
Total interest cost	**(20.0)**	**(22.5)**
Interest income	0.3	0.2
Net interest cost	**(19.7)**	**(22.3)**

(1) Borrowing costs are capitalised at the weighted average cost of borrowing of 3.2% (2021: 3.7%). Borrowing costs of $1.6 million were capitalised to land (2021: $2.3 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.

2. Borrowings (continued)

2.2. Borrowings

$ million	2022	2021
Current		
Retail bonds	100.0	–
Total current borrowings	**100.0**	**–**
Non-current		
Syndicated bank facilities	147.0	61.0
Retail bonds	200.0	300.0
Wholesale bonds	400.0	200.0
US Private Placement notes	173.0	171.8
Total non-current	**920.0**	**732.8**
Unamortised borrowings establishment costs	(2.9)	(2.7)
Total non-current borrowings	**917.1**	**730.1**
Total borrowings	**1,017.1**	**730.1**

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.

SIGNIFICANT TRANSACTIONS

In December 2021, GMT issued $200.0 million of wholesale bonds, with a 6 year term expiring in December 2027, paying a fixed interest rate of 3.656%.

In December 2021, GMT increased its bank facilities with a $100.0 million facility expiring in December 2022. The facility was provided by Bank of New Zealand.

In March 2022, the syndicated bank facility was amended to increase and extend the tranche maturities and alter the participation by bank. The total facility has increased to $570.0 million, comprising four facilities expiring in June 2023 ($160.0 million), June 2024 ($130.0 million), June 2025 ($130.0 million) and June 2026 ($150.0 million).

2. Borrowings (continued)

2.2. Borrowings (continued)

SUBSEQUENT EVENT

In April 2022, GMT issued $150.0 million of green bonds, with a 5 year term expiring in April 2027, paying a fixed interest rate of 4.740%.

2.3. Composition of borrowings

					$ million	
2022	**Date issued**	**Expiry**	**Weighted average remaining term (years)**	**Interest rate**	**Facility drawn / Amount**	**Undrawn facility**
Syndicated bank facilities	–	Jun 23 – Jun 26	2.7	Floating	147.0	423.0
BNZ bank facility	–	Dec 22	0.7	Floating	–	100.0
Retail bonds – GMB030	Jun 15	Jun 22	0.2	5.000%	100.0	–
Retail bonds – GMB040	May 17	May 24	2.2	4.540%	100.0	–
Retail bonds – GMB050	Mar 18	Sep 23	1.4	4.000%	100.0	–
Wholesale bonds – 6 years	Dec 21	Dec 27	5.7	3.656%	200.0	–
Wholesale bonds – 8 years	Sep 20	Sep 28	6.4	2.262%	50.0	–
Wholesale bonds – 10 years	Sep 20	Sep 30	8.4	2.559%	150.0	–
US Private Placement notes	Jun 15	Jun 25	3.2	3.460%	US$40.0	–
US Private Placement notes	Jun 15	Jun 27	5.2	3.560%	US$40.0	–
US Private Placement notes	Jun 15	Jun 30	8.2	3.710%	US$40.0	–

					$ million	
2021	Date issued	Expiry	Weighted average remaining term (years)	Interest rate	Facility drawn / Amount	Undrawn facility
Syndicated bank facilities	–	Nov 22 – Nov 24	2.6	Floating	61.0	339.0
Retail bonds – GMB030	Jun 15	Jun 22	1.2	5.000%	100.0	–
Retail bonds – GMB040	May 17	May 24	3.2	4.540%	100.0	–
Retail bonds – GMB050	Mar 18	Sep 23	2.4	4.000%	100.0	–
Wholesale bonds – 8 years	Sep 20	Sep 28	7.4	2.262%	50.0	–
Wholesale bonds – 10 years	Sep 20	Sep 30	9.4	2.559%	150.0	–
US Private Placement notes	Jun 15	Jun 25	4.2	3.460%	US$40.0	–
US Private Placement notes	Jun 15	Jun 27	6.2	3.560%	US$40.0	–
US Private Placement notes	Jun 15	Jun 30	9.2	3.710%	US$40.0	–

2. Borrowings (continued)

2.3. Composition of borrowings (continued)

As at 31 March 2022, $570.0 million of syndicated bank facilities was provided to the Trust by Bank of New Zealand ($185.0 million), Commonwealth Bank of Australia ($150 million), The Hongkong and Shanghai Banking Corporation Limited ($130.0 million) and Westpac New Zealand Limited ($105.0 million). An additional $100.0 million facility was provided to the Trust by Bank of New Zealand.

As at 31 March 2021, $400.0 million of syndicated bank facilities was provided to the Trust by Commonwealth Bank of Australia ($115.0 million), Westpac New Zealand Limited ($115.0 million), Bank of New Zealand ($90.0 million) and The Hongkong and Shanghai Banking Corporation Limited ($80.0 million).

As at 31 March 2022, GMT's drawn borrowings had a weighted average remaining term of 4.6 years (2021: 5.2 years), with 85% being drawn from non-bank sources (2021: 92%). Calculation of the weighted average remaining term assumes bank debt utilises the longest dated facilities.

2.4. Security and covenants

All borrowing facilities are secured on an equal ranking basis over the assets of the wholly owned subsidiaries of the 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.

2.5. Lease liabilities

$ million	2022	2021
Opening balance	65.5	63.3
Increase in liability as a result of ground rent reviews	0.5	2.3
Lease liability interest expense	3.3	3.2
Ground rent paid	(3.5)	(3.5)
Amortisation of incentives received	0.2	0.2
Total lease liabilities	**66.0**	**65.5**

KEY JUDGEMENT

The lease liabilities are for perpetually renewable ground leases at Westney Industry Park for $65.8 million (2021: $65.3 million) and The Gate Industry Park for $0.2 million (2021: $0.2 million). The calculation of the lease liabilities assumes lease terms of between 63 and 66 years and utilises discount rates based on an assessment of GMT's long-term borrowing costs at the time of the renewal, which range from 3.5% to 5.5%.

2. Borrowings (continued)

2.5. Lease liabilities (continued)

ACCOUNTING POLICIES

At the commencement date of a lease the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, including expected lease renewals. The lease payments include fixed payments, less any lease incentives receivable.

2.6. 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. This non-GAAP financial measure may not be consistent with its calculation by other similar entities. The LVR calculation is set out in the table below.

$ million	2022	2021
Total borrowings	1,017.1	730.1
US Private Placement notes – foreign exchange translation impact	(12.3)	(11.1)
Cash	(3.6)	(3.0)
Borrowings for LVR calculation	**1,001.2**	**716.0**
Investment property	4,773.2	3,789.3
Lease liabilities	(66.0)	(65.5)
Assets for LVR calculation	**4,707.2**	**3,723.8**
Loan to value ratio %	**21.3%**	**19.2%**

3. Earnings per unit and net tangible assets

3.1. Earnings per unit

Earnings per unit measures are calculated as profit or 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. This non-GAAP financial measure may not be consistent with its calculation by other similar entities.

The calculation of operating earnings before other income / (expenses) and tax is set out in Profit or Loss.

$ million	2022	2021
Operating earnings before other income / (expenses) and tax	118.3	114.9
Income tax on operating earnings	(19.0)	(19.5)
Operating earnings after tax	**99.3**	**95.4**

	Weighted units	
Million	2022	2021
Weighted units	1,397.3	1,391.2

cents per unit	2022	2021
Operating earnings per unit before tax	8.47	8.26
Operating earnings per unit after tax	7.11	6.86
Basic and diluted earnings per unit after tax	53.57	45.41

3.2. 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	2022	2021
Issued units	1,397.3	1,391.2
Deferred units for Manager's performance fee expected to be reinvested	6.0	6.0
Diluted units	**1,403.3**	**1,397.2**

	2022	2021
Net tangible assets ($ million)	3,657.4	2,969.2
Net tangible assets per unit (cents)	260.6	212.5

4. Derivative financial instruments

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

4.1. Movement in fair value of financial instruments

$ million	2022	2021
Interest rate derivatives	12.0	2.5
Cross currency interest rate derivatives relating to US Private Placement notes	(10.0)	(44.4)
Total movement in fair value of derivative financial instruments	**2.0**	**(41.9)**
Foreign exchange rate movement on US Private Placement notes	(1.2)	29.6
Total movement in fair value of financial instruments	**0.8**	**(12.3)**

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. 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 2022 of between 1.61% for the 90-day BKBM and 3.38% for the 10-year swap rate (2021: 0.35% for the 90-day BKBM and 1.96% 10-year swap rate). There were no changes to these valuation techniques during the period.

4. Derivative financial instruments (continued)

4.2. Derivative financial instruments

$ million	2022	2021
Cross currency interest rate derivatives		
Non-current assets	10.0	20.0
Interest rate derivatives		
Non-current assets	20.4	10.3
Current assets	0.5	–
Non-current liabilities	(2.5)	(3.9)
Net derivative financial instruments	**28.4**	**26.4**

4.3. Additional derivative information

	2022	2021
Cross currency interest rate derivatives		
Notional contract value as fixed rate receiver ($ million)	160.7	160.7
Percentage of US Private Placement notes borrowings converted to floating rate NZD payments	100%	100%
Weighted average term to maturity (years)	5.5	6.5
Interest rate derivatives		
Notional contract value as fixed rate payer ($ million)	260.0	260.0
Interest rate range as fixed rate payer	0.4% – 2.7%	0.4% – 2.7%
Notional contract value as fixed rate receiver ($ million)[1]	250.0	150.0
Weighted average term to maturity of borrowings fixed, including retail and wholesale bonds (years)	5.3	5.8
Percentage of borrowings fixed, including retail and wholesale bonds	70%	85%

[1] The fixed rate receiver derivative expiries align with the retail bonds, to convert a portion of retail bonds back to floating rate interest.

5. Administrative expenses

Administrative expenses are incurred to manage the operational activity of GMT.

$ million	2022	2021
Valuation fees	(0.9)	(0.8)
Trustees fees	(0.5)	(0.4)
Auditor's fees	(0.3)	(0.3)
Other costs	(1.5)	(1.5)
Total administrative expenses	**(3.2)**	**(3.0)**

Auditor's fees

$ million	2022	2021
Audit and review of financial statements	(0.3)	(0.3)
Other assurance related services	–	–
Total auditor's fees	**(0.3)**	**(0.3)**

Other assurance related services

Fees for other assurance related services of $17,000 comprise assurance services on the performance fee calculation, agreed upon procedures on the financial covenants of the bank facilities and reporting to the supervisor of GMT Bond Issuer Limited (2021: $10,500 comprised assurance services on the performance fee calculation, agreed upon procedures on the financial covenants of the bank facilities and reporting to the supervisor of GMT Bond Issuer Limited).

Other services

Fees for other services of $6,000 comprise materiality guidance for the green bond issuance (2021: $nil).

6. Debtors and other assets

$ million	2022	2021
Current		
Debtors	1.3	1.6
Prepayments	0.9	0.7
Interest receivable	2.9	1.6
Other assets	0.4	5.0
Total debtors and other assets	**5.5**	**8.9**

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.

7. Creditors and other liabilities

$ million	2022	2021
Current		
Creditors	1.8	0.7
Interest payable	7.2	4.6
Related party payables	3.8	0.4
Accrued capital expenditure	12.1	9.1
Other liabilities	7.9	10.6
Total creditors and other liabilities	**32.8**	**25.4**

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.

8. Tax

8.1. Tax expense

$ million	2022	2021
Profit before tax	763.8	648.9
Tax at 28%	(213.9)	(181.7)
Depreciation of investment property	9.6	9.2
Movement in fair value of investment property	184.9	156.8
Deductible net expenditure for investment property	4.0	2.2
Derivative financial instruments	0.4	(3.2)
Performance fee	(4.4)	(3.8)
Other	0.4	1.0
Current tax on operating earnings	**(19.0)**	**(19.5)**
Settlement of derivative financial instruments	–	2.0
Performance fee	4.4	3.8
Current tax on non-operating earnings	**4.4**	**5.8**
Current tax	**(14.6)**	**(13.7)**
Depreciation of investment property	(9.6)	(9.2)
Reduction of liability in respect of depreciation recovery income	9.0	5.8
Deferred expenses	(0.5)	(0.4)
Derivative financial instruments	0.5	0.3
Deferred tax	**(0.6)**	**(3.5)**
Total tax	**(15.2)**	**(17.2)**

Current tax on operating earnings is a non-GAAP measure included to provide an assessment of current tax for GMT's principal operating activities. This non-GAAP financial measure may not be consistent with its calculation by other similar entities.

8. Tax (continued)

8.1. Tax expense (continued)

ACCOUNTING POLICIES

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

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

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

8.2. Deferred tax

$ million	2022	2021
Deferred tax liabilities		
Investment properties – depreciation recoverable	(22.1)	(21.5)
Investment properties – deferred expenses	(9.9)	(9.4)
Derivative financial instruments	(3.8)	(4.3)
Borrowings issue costs	(0.2)	(0.2)
Total deferred tax liabilities	**(36.0)**	**(35.4)**

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.

9. 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
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

9.1. Transactions with related parties

		Recorded		Capitalised		Outstanding	
$ million	Related party	2022	2021	2022	2021	2022	2021
Manager's base fee	GNZ	(17.0)	(13.4)	1.1	0.6	(1.6)	(1.3)
Manager's performance fee	GNZ	(15.7)	(13.7)	–	–	(15.7)	(13.7)
Property management fees [(1)]	GPSNZ	(3.6)	(3.3)	–	–	(0.3)	(0.2)
Leasing fees	GPSNZ	(2.8)	(1.2)	–	–	(0.2)	(0.1)
Acquisition and disposal fees	GPSNZ	(2.4)	(0.8)	2.4	0.8	(2.4)	–
Minor project fees	GPSNZ	(0.6)	(0.2)	0.6	0.2	–	–
Development management fees	GPSNZ	(5.9)	(2.7)	5.9	2.7	(0.7)	–
Total fees		**(48.0)**	**(35.3)**	**10.0**	**4.3**	**(20.9)**	**(15.3)**
Reimbursement of expenses for services provided	GPSNZ	(2.0)	(1.6)	0.4	0.3	(0.2)	(0.1)
Gross lease receipts received	GPSNZ	0.2	0.2	–	–	–	–
Issue of units for Manager's performance fee reinvested	GIH	13.7	11.4	–	–	–	–
Distributions paid	GIH	(18.2)	(16.7)	–	–	–	–

(1) Of the property management fees charged by GPSNZ, $2.9 million was paid by customers and was not a cost borne by GMT (2021: $2.6 million).

9. Related party disclosures (continued)

9.2. 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 (2021: none). This agreement was approved by unitholders at a general meeting held on 23 March 2004.

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.

Related party investment in GMT

At 31 March 2022, Goodman Group, GNZ's ultimate parent, through its subsidiary Goodman Investment Holdings (NZ) Limited, held 345,971,371 units in GMT out of a total 1,397,303,338 units on issue (31 March 2021: 297,975,387 units in GMT out of a total 1,391,227,995 units).

9.3. 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.

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.

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 2022, a performance fee of $15.7 million is payable (2021: $13.7 million), with a $9.0 million carry forward to include in the calculation for future periods (2021: $nil carry forward).

9. Related party disclosures (continued)

9.3. Explanation of related party transactions (continued)

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.

Gross lease receipts
Rent received by GMT for the office leased by GPSNZ at Highbrook Business Park.

9.4. 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.

9.5. Related party capital commitments

$ million	Related party	2022	2021
Development management fees for developments in progress	GPSNZ	10.6	5.2
Total related party capital commitments		**10.6**	**5.2**

10. Commitments and contingencies

10.1. 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 9.5.

$ million	2022	2021
Completion of developments	215.8	84.9
Acquisitions	58.4	–
Total non-related party capital commitments	**274.2**	**84.9**

10.2. Contingent liabilities

GMT has no material contingent liabilities (2021: none).

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

$ million	2022	2021
Profit after tax	748.6	631.7
Non-cash items:		
Movement in fair value of investment property	(660.4)	(560.0)
Deferred lease incentives and leasing costs	0.8	0.8
Fixed rental income adjustments	(0.3)	(1.7)
Issue costs and subsequent amortisation for non-bank borrowings	(0.2)	0.2
Movement in fair value of derivative financial instruments	(0.8)	12.3
Manager's performance fee expected to be reinvested in units	2.0	2.3
Deferred tax	0.6	3.5
Net cash flows from operating activities before changes in assets and liabilities	**90.3**	**89.1**
Movements in working capital from:		
Debtors and other assets	(1.0)	(0.6)
Creditors and other liabilities	1.0	1.7
Current tax payable	0.5	(0.4)
Movements in working capital	**0.5**	**0.7**
Net cash flows from operating activities	**90.8**	**89.8**

12. 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.

12.1. Financial instruments

The following items in the Balance Sheet are classified as financial instruments: cash, debtors and other assets, derivative financial instruments, creditors and other liabilities, lease 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.

12.2. 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 1% change to interest rates.

$ million	2022	2021
Impact to net profit after tax of a 1% increase in interest rates	(3.0)	(1.1)
Impact to net profit after tax of a 1% decrease in interest rates	3.0	1.1

12. Financial risk management (continued)

12.3. Credit risk

Credit risk arises from cash, derivative financial instruments 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 customers, the Group assesses the credit quality of the customer, considering 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, 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.

12.4. 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
2022								
Borrowings	129.1	125.6	120.1	74.7	163.5	530.9	1,143.9	1,007.7
Derivative financial instruments	0.8	0.8	0.8	0.8	0.5	0.6	4.3	2.5
Lease liabilities	3.5	3.5	3.2	1.9	1.0	0.9	14.0	66.0
Creditors and other liabilities	32.8	–	–	–	–	–	32.8	32.8
Total	**166.2**	**129.9**	**124.1**	**77.4**	**165.0**	**532.4**	**1,195.0**	**1,109.0**
2021								
Borrowings	22.4	179.1	114.3	108.8	63.8	331.5	819.9	721.7
Derivative financial instruments	2.1	2.1	2.1	2.0	1.5	2.1	11.9	3.9
Lease liabilities	3.4	3.4	3.4	3.1	1.8	1.8	16.9	65.5
Creditors and other liabilities	25.4	–	–	–	–	–	25.4	25.4
Total	**53.3**	**184.6**	**119.8**	**113.9**	**67.1**	**335.4**	**874.1**	**816.5**

12. Financial risk management (continued)

12.5. 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 retail bonds, wholesale bonds and US Private Placement notes, 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.

12.6. Fair value of financial instruments

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

$ million	Fair value hierarchy	2022	2021
Retail bonds	Level 1	302.4	320.1
Wholesale bonds	Level 2	354.2	179.8
US Private Placement notes	Level 2	US$114.8	US$120.5

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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

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

13. 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.

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 2022, 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).

What we have audited

The Group's financial statements comprise:

+ the balance sheet as at 31 March 2022;
+ 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 and other explanatory information.

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.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the I*nternational Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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, guidance on the application of materiality for the purposes of the Group's Green Bond Offer and reporting to the supervisor of GMT Bond Issuer Limited. The provision of these other services has not impaired our independence as auditor of the Group.

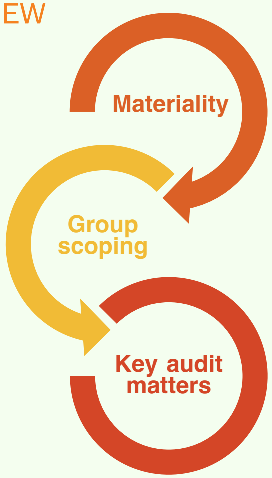
KEY AUDIT MATTER

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. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of investment property As disclosed in note 1, the portfolio of investment properties comprising Auckland industrial stabilised properties and investment property under development held by the Group was valued at $4.8 billion as at 31 March 2022. The valuation of investment properties is inherently subjective. A small difference in any one of the key market input assumptions, when aggregated, could result in a material misstatement of the valuation of investment properties. Valuations were carried out by independent registered valuers selected by the Group. The valuers performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuers engaged are well- known firms, with experience in the market in which the Group operates. In determining a property's valuation, the valuers consider property specific information such as current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to market capitalisation rates, market rental and rental growth rates, 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. Management verifies all key inputs to the valuations, assesses property valuation movements against prior periods and holds discussions with the directors of Goodman (NZ) Limited (the Manager) on the process and results of the valuation.	The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. We considered the adequacy of the disclosures made in note 1 to the financial statements. This note explains that there is significant estimation uncertainty in relation to the valuation of investment property. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the balance sheet and disclosures made in the financial statements were appropriate. In assessing the individual valuations, we performed the procedures outlined below. We held discussions with management and the valuers to understand: + movements in the Group's investment property portfolio + changes in the conditions of properties within the portfolio + the impact of climate change and related risks on the portfolio + the controls in place over the valuation process. On a sample basis, with emphasis on properties with significant or unusual fluctuations in key inputs compared to other investment properties held by the Group, we performed the following procedures: + obtained an understanding of the key inputs in the valuation + agreed forecast contractual rental and lease terms to lease agreements with tenants + considered whether seismic assessments and/or capital maintenance requirements had been taken into account in the valuations, with reference to supporting documentation. We held separate discussions with each of the independent registered valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. We also engaged our own valuation experts to critique and independently assess, based on their market and valuation knowledge, the work performed, and assumptions and estimates made by the valuers, on a sample basis. We found no evidence of bias in determining the values.

OUR AUDIT APPROACH OVERVIEW

Overview



Overall group materiality: $5,130,000, which represents 5% of profit before tax excluding movements in fair value of investment property and financial instruments.

We chose profit before tax excluding movements in the fair value of investment property and financial instruments as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users.

Following our assessment of the risk of material misstatement, a full scope audit was performed over the consolidated Group balances.

As reported above, we have one key audit matter, being:

+ Valuation of investment property

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

How we tailored our group audit scope

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.

OTHER INFORMATION

The directors of the Manager are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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 intends 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), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

+ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.
+ Obtains 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.
+ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
+ Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance 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 the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the 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
18 May 2022

Auckland