# Goodman Property Trust

# interim financial statements+

for the six months ended
30 September 2014

## contents+

Goodman Property Trust

# consolidated statement of comprehensive income

## For the six months ended 30 September 2014

| $ million | Note | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|---|
| **Revenue and other income** | | | | |
| Rental income | 2 | **70.3** | 138.2 | 67.5 |
| Service charge income | | **11.7** | 22.7 | 11.7 |
| **Total revenue** | | **82.0** | 160.9 | 79.2 |
| Service charge expenses | | **(11.7)** | (22.7) | (11.7) |
| Property operating expenses | 3 | **(4.1)** | (10.4) | (4.4) |
| **Net rental and related income** | | **66.2** | 127.8 | 63.1 |
| Gain on disposal of property investments | | **4.3** | - | - |
| Realised movement in fair value of property investments | | **-** | 2.3 | - |
| Unrealised movement in fair value of property investments | 4 | **13.7** | 23.8 | 6.1 |
| Movement in fair value of derivative financial instruments | | **(4.2)** | 19.1 | 14.1 |
| Share of profit arising from joint ventures, net of tax | 11 | **1.4** | 5.9 | 2.9 |
| Other administrative expenses | 4 | **(4.6)** | (9.6) | (4.9) |
| **Finance costs** | | | | |
| Finance income | 4 | **0.2** | 0.3 | 0.1 |
| Finance costs | 4 | **(11.7)** | (21.8) | (10.2) |
| Net finance costs before changes in cash flow hedge reserve | | **(11.5)** | (21.5) | (10.1) |
| Changes in cash flow hedge reserve | 4 | **-** | (1.0) | (1.1) |
| **Net finance costs** | | **(11.5)** | (22.5) | (11.2) |
| **Profit for the period before income tax** | | **65.3** | 146.8 | 70.1 |
| Taxation | 5 | **(5.1)** | (12.7) | (4.7) |
| **Profit for the period after income tax** | | **60.2** | 134.1 | 65.4 |
| **Items that may be subsequently reclassified to profit or loss** | | | | |
| **Other comprehensive income** | | | | |
| Change in cash flow hedges transferred to profit or loss | | **-** | 1.0 | 1.1 |
| Income tax relating to other comprehensive income | 5 | **-** | (0.3) | (0.3) |
| **Total other comprehensive income for the period, net of income tax** | | **-** | 0.7 | 0.8 |
| **Total comprehensive income for the period attributable to unitholders** | | **60.2** | 134.8 | 66.2 |

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

| Cents | Note | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|---|
| Basic earnings after tax per unit | 6 | **4.91** | 11.09 | 5.43 |
| Diluted earnings after tax per unit | 6 | **4.77** | 10.76 | 5.26 |

Goodman Property Trust

# consolidated statement of financial position

As at 30 September 2014

| $ million | Note | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Cash and cash equivalents | | **3.6** | 1.3 | 8.0 |
| Trade and other receivables | 8 | **5.9** | 7.3 | 9.0 |
| Derivative financial instruments | 9 | **1.3** | - | - |
| Current tax receivable | 5 | **0.5** | - | 1.0 |
| Investment property and development land sold pending settlement | 10 | **16.5** | - | 37.2 |
| **Total current assets** | | **27.8** | 8.6 | 55.2 |
| **Non-current assets** | | | | |
| Investment property | 10 | **1,764.4** | 1,747.1 | 1,690.0 |
| Commenced developments | 10 | **94.4** | 51.3 | 28.0 |
| Development land | 10 | **244.8** | 241.4 | 239.4 |
| Derivative financial instruments | 9 | **3.8** | 7.0 | 8.8 |
| Investment in joint ventures | 11 | **54.2** | 54.5 | 53.3 |
| Trade and other receivables | 8 | **5.0** | 4.6 | - |
| Deferred tax assets | | **2.4** | 3.8 | 8.0 |
| **Total non-current assets** | | **2,169.0** | 2,109.7 | 2,027.5 |
| **Total assets** | | **2,196.8** | 2,118.3 | 2,082.7 |
| **Current liabilities** | | | | |
| Trade and other payables | 13 | **30.5** | 22.2 | 18.4 |
| Interest bearing liabilities | 14 | **150.0** | - | - |
| Current tax payable | 5 | **-** | 0.2 | - |
| Derivative financial instruments | 9 | **0.9** | 0.9 | - |
| **Total current liabilities** | | **181.4** | 23.3 | 18.4 |
| **Non-current liabilities** | | | | |
| Trade and other payables | 13 | **-** | 4.3 | 4.3 |
| Interest bearing liabilities | 14 | **641.5** | 735.5 | 741.1 |
| Derivative financial instruments | 9 | **15.0** | 19.6 | 27.3 |
| Deferred tax liabilities | | **70.4** | 70.0 | 69.1 |
| **Total non-current liabilities** | | **726.9** | 829.4 | 841.8 |
| **Total liabilities** | | **908.3** | 852.7 | 860.2 |
| **Net assets** | | **1,288.5** | 1,265.6 | 1,222.5 |
| **Unitholders' funds** | | | | |
| Units | 15 | **1,377.3** | 1,375.5 | 1,363.2 |
| Accumulated losses | | **(88.8)** | (109.9) | (140.7) |
| **Total unitholders' funds** | | **1,288.5** | 1,265.6 | 1,222.5 |

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

The Board of Goodman (NZ) Limited, the Manager of Goodman Property Trust, authorised these interim financial statements for issue on 11 November 2014.

For and on behalf of the Board:

Keith Smith – Chairman

Peter Simmonds – Chairman, Audit Committee

Goodman Property Trust

# consolidated statement of changes in unitholders' funds

For the six months ended 30 September 2014

| $ million | Units | Accumulated losses | Cash flow hedge reserve | Total |
|---|---|---|---|---|
| **6 months to 30 September 2014** | | | | |
| **Total unitholders' funds at 1 April 2014** | **1,375.5** | **(109.9)** | **-** | **1,265.6** |
| Comprehensive income for the period | **-** | **60.2** | **-** | **60.2** |
| Distributions paid to unitholders | **-** | **(39.1)** | **-** | **(39.1)** |
| Issue of units | **1.8** | **-** | **-** | **1.8** |
| **Total unitholders' funds at 30 September 2014** | **1,377.3** | **(88.8)** | **-** | **1,288.5** |

| $ million | Units | Accumulated losses | Cash flow hedge reserve | Total |
|---|---|---|---|---|
| **12 months to 31 March 2014** | | | | |
| **Total unitholders' funds at 1 April 2013** | 1,355.1 | (168.5) | (0.7) | 1,185.9 |
| Comprehensive income for the year | - | 134.1 | 0.7 | 134.8 |
| Distributions paid to unitholders | - | (75.5) | - | (75.5) |
| Issue of units | 20.4 | - | - | 20.4 |
| **Total unitholders' funds at 31 March 2014** | 1,375.5 | (109.9) | - | 1,265.6 |

| $ million | Units | Accumulated losses | Cash flow hedge reserve | Total |
|---|---|---|---|---|
| **6 months to 30 September 2013** | | | | |
| **Total unitholders' funds at 1 April 2013** | 1,355.1 | (168.5) | (0.7) | 1,185.9 |
| Comprehensive income for the period | - | 65.5 | 0.7 | 66.2 |
| Distributions paid to unitholders | - | (37.7) | - | (37.7) |
| Issue of units | 8.1 | - | - | 8.1 |
| **Total unitholders' funds at 30 September 2013** | 1,363.2 | (140.7) | - | 1,222.5 |

The consolidated statement of changes in unitholders' funds should be read in conjunction with the accompanying notes.

# consolidated statement of cash flows

## For the six months ended 30 September 2014

| $ million | Note | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net property income received | | **68.3** | 120.4 | 56.2 |
| Net GST (received) / paid | | **(0.8)** | 0.3 | 0.3 |
| Other operating expenses paid | | **(4.4)** | (9.8) | (5.3) |
| Finance income received | | **-** | 0.3 | 0.4 |
| Finance costs paid | | **(10.9)** | (20.6) | (7.9) |
| Income taxes paid | | **(4.2)** | (5.6) | (3.6) |
| **Net cash provided by operating activities** | 7 | **48.0** | 85.0 | 40.1 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of investment property | | **29.7** | 37.4 | - |
| Payments for investment property | | **(8.9)** | (20.1) | (6.8) |
| Payments for commenced developments | | **(61.6)** | (57.9) | (36.5) |
| Payments for development land | | **(3.2)** | (7.7) | (2.6) |
| Holding costs capitalised to investment property | | **(14.6)** | (29.8) | (15.1) |
| Dividends received from joint ventures | 11 | **1.6** | 3.4 | 1.6 |
| Deferred vendor settlements | | **-** | (11.7) | (11.5) |
| Deposit paid for investment property | | **-** | (4.6) | - |
| **Net cash used by investing activities** | | **(57.0)** | (91.0) | (70.9) |
| **Cash flows from financing activities** | | | | |
| Settlement of derivative financial instruments | | **(7.1)** | - | - |
| Proceeds from borrowings | | **112.9** | 80.0 | 65.5 |
| Net proceeds from senior secured bonds | | **-** | 98.4 | - |
| Repayment of borrowings | | **(57.4)** | (119.0) | - |
| Distributions paid to unitholders net of reinvestments | | **(37.1)** | (55.0) | (29.6) |
| **Net cash provided by financing activities** | | **11.3** | 4.4 | 35.9 |
| Net increase/(decrease) in cash and cash equivalents held | | **2.3** | (1.6) | 5.1 |
| Cash and cash equivalents at the beginning of the period | | **1.3** | 2.9 | 2.9 |
| **Cash and cash equivalents at the end of the period** | | **3.6** | 1.3 | 8.0 |

Included in the statement of cash flows are net cash flows for property income received and GST (received)/paid. These have been disclosed on a net basis as they are settled on a net basis.

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# notes to the financial statements

For the six months ended 30 September 2014

## 1. Accounting policies

### General information

The reporting entity is Goodman Property Trust (“GMT”, “Trust” or “Group”), a profit oriented entity, which is a unit trust established on 23 April 1999 under the Unit Trusts Act 1960, domiciled in New Zealand. The Manager of the Trust is Goodman (NZ) Limited and the address of its registered office is Level 28, 151 Queen Street, Auckland. The consolidated interim financial statements of GMT for the six months ended 30 September 2014 comprise GMT and its subsidiaries (together referred to as the “Group”). GMT is an issuer for the purposes of the Financial Reporting Act 2013 and is listed on the New Zealand Stock Exchange (“NZX”). The principal activity of the Group is to invest in real estate in New Zealand.

The consolidated interim financial statements have been approved for issue by the Manager of the Trust on 11 November 2014. The Manager does not have the power to amend these financial statements once issued.

### Summary of significant accounting policies

These interim financial statements for the six month reporting period ended 30 September 2014 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”) as applicable for profit-oriented entities. They comply with International Accounting Standard 34 ‘Interim Financial Reporting’ and New Zealand equivalent to International Accounting Standard 34 ‘Interim Financial Reporting’.

The interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly these consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2014, prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and International Financial Reporting Standards.

The consolidated interim financial statements for the six months ended 30 September 2014 and 30 September 2013 are unaudited. The consolidated interim financial statements are presented in New Zealand Dollars ($), which is the Group’s functional currency. All financial information has been presented in millions, unless stated otherwise.

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

### Changes in accounting policies

The accounting policies that materially affect the measurement of the consolidated statement of comprehensive income, consolidated statement of financial position and the consolidated statement of cash flows have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 March 2014 except as described below:

NZ IAS 32 *Financial Instruments*

The adoption of certain amendments to NZ IAS 32 (“the amendments”) regarding the offsetting of financial assets and liabilities, applied by the Trust as of 1 April 2014. These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The adoption of the amendments has had no significant impact on the consolidated interim financial statements of the Trust.

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 2. Rental income

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| Gross lease receipts | **73.9** | 144.2 | 70.6 |
| Amortisation of capitalised lease incentives | **(4.2)** | (7.0) | (3.3) |
| Fixed rental income adjustment | **0.6** | 1.0 | 0.2 |
| **Rental income** | **70.3** | 138.2 | 67.5 |

No customer individually contributes more than 10% of total rental income.

Rental income is earned as a lessor of investment property held within the statement of financial position.

The Group's non-cancellable operating lease receivable profile to the next lease renewal dates is as follows:

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| Less than one year | **152.1** | 150.4 | 147.4 |
| One to two years | **142.2** | 136.5 | 134.9 |
| Two to five years | **309.6** | 305.1 | 311.7 |
| More than five years | **191.5** | 161.0 | 176.9 |
| **Total non-cancellable operating lease income** | **795.4** | 753.0 | 770.9 |

## 3. Net service charge and property operating expenses

There are no material expenses from vacant property.

Property operating expenses also include non-recoverable ground rental costs of $1.3 million for the six months ended 30 September 2014 (year ended 31 March 2014: $2.7 million; six months ended 30 September 2013: $1.3 million).

The Group's ground lease profile up to the next lease renewal date is as follows:

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| Less than one year | **3.7** | 3.7 | 3.6 |
| One to two years | **3.7** | 3.7 | 3.7 |
| Two to five years | **11.4** | 11.4 | 11.3 |
| More than five years | **25.7** | 27.5 | 31.1 |
| **Total ground lease commitments** | **44.5** | 46.3 | 49.7 |

## 4. Profit before income tax

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **Unrealised movement in fair value of property investments** | | | |
| Fair value movement on investment properties | **(0.8)** | 26.1 | 3.0 |
| Fair value movement on commenced and completed developments | **14.5** | 5.2 | 3.1 |
| Fair value movement on development land | **-** | (7.5) | - |
| **Unrealised movement in fair value of property investments** | **13.7** | 23.8 | 6.1 |

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **Other administrative expenses** | | | |
| Auditors' fees for audit and review of financial statements | **(0.1)** | (0.2) | (0.1) |
| Trustee fees and disbursements | **(0.2)** | (0.3) | (0.2) |
| Manager's base fee | **(3.1)** | (6.7) | (3.3) |
| Other | **(1.2)** | (2.4) | (1.3) |
| **Other administrative expenses** | **(4.6)** | (9.6) | (4.9) |

In addition to auditors' fees disclosed above, other fees paid to the Group's auditors include $3,600 for compliance and review services (31 March 2014: $11,950, 30 September 2013: $nil), and $nil for other accounting and advisory services (31 March 2014: $19,000, 30 September 2013: $nil). These amounts are expressed in whole dollars, rounded to the nearest fifty dollars.

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **Finance (costs)/income** | | | |
| Interest income | **0.2** | 0.3 | 0.1 |
| **Finance income** | **0.2** | 0.3 | 0.1 |
| Interest expense on bank loans, interest rate derivatives, senior secured bonds, overdraft and intercompany interest | **(24.5)** | (47.5) | (23.2) |
| Amortisation of borrowing costs | **(0.8)** | (1.4) | (0.6) |
| Interest on deferred vendor settlements | **(0.1)** | (0.4) | (0.3) |
| Borrowing costs capitalised (refer to note 10) | **13.7** | 27.5 | 13.9 |
| **Finance costs** | **(11.7)** | (21.8) | (10.2) |
| Amortisation of cash flow hedge reserve | **-** | (1.0) | (1.1) |
| **Net finance costs** | **(11.5)** | (22.5) | (11.2) |

## 5. Taxation

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **Income tax expense** | | | |
| **Current tax expense (note (a) below)** | | | |
| Current year | **(3.5)** | (8.5) | (5.0) |
| Adjustment in respect of prior periods | **-** | 0.7 | 0.4 |
| **Total current tax expense** | **(3.5)** | (7.8) | (4.6) |
| **Deferred tax expense recognised in the statement of comprehensive income (note (b) below)** | | | |
| Movements in deferred tax | **(1.6)** | (4.9) | (0.1) |
| Adjustment in respect of prior periods | **-** | - | - |
| **Total deferred tax expense** | **(1.6)** | (4.9) | (0.1) |
| **Income tax expense** | **(5.1)** | (12.7) | (4.7) |

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **(a) Current tax expense** | | | |
| Profit before income tax | **65.3** | 146.8 | 70.1 |
| Prima facie income tax expense calculated at 28% on the profit before income tax | **(18.3)** | (41.1) | (19.6) |
| Increase/(decrease) in income tax due to: | | | |
| – gain on disposal of property investments | **1.2** | - | - |
| – realised movement in fair value of property investments | **-** | 0.6 | - |
| – unrealised movement in fair value of property investments | **3.8** | 6.7 | 1.7 |
| – holding costs capitalised | **4.1** | 8.3 | 4.2 |
| – depreciation recovered in disposal of property investments | **(0.8)** | - | - |
| – deductible capital expenditure | **0.8** | 0.9 | 0.5 |
| – movement in fair value of derivative financial instruments | **0.9** | 5.4 | 4.0 |
| – novated interest rate derivative contracts | **(0.7)** | (1.1) | (0.6) |
| – amortisation of cash flow hedge reserve | **-** | (0.3) | (0.3) |
| – depreciation for income tax purposes | **3.0** | 6.0 | 3.1 |
| – deferred leasing costs and incentives | **(0.1)** | (0.1) | (0.6) |
| – dividend income | **(0.2)** | (1.0) | (0.4) |
| – share of profit arising from joint ventures, net of tax | **0.4** | 1.6 | 0.5 |
| – utilisation of brought forward tax losses | **2.6** | 5.4 | 2.4 |
| – other | **(0.2)** | 0.2 | 0.1 |
| **Current tax expense** | **(3.5)** | (8.5) | (5.0) |

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 5. Taxation (continued)

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **(b) Deferred tax expense** | | | |
| – depreciation | **(3.0)** | (5.0) | (3.1) |
| – depreciation adjustment | **1.3** | 9.5 | 7.8 |
| – deferred leasing costs and incentives | **0.1** | 0.1 | 0.6 |
| – deferred tax release on disposal of property investments | **1.1** | - | - |
| – movement in fair value of derivative financial instruments | **1.2** | (5.4) | (4.0) |
| – novated interest rate derivative contracts | **-** | 1.1 | 0.6 |
| – amortisation of cash flow hedge reserve | **-** | 0.3 | 0.3 |
| – utilisation of brought forward tax losses | **(2.6)** | (5.4) | (2.4) |
| – other | **0.3** | (0.1) | 0.1 |
| **Deferred tax expense** | **(1.6)** | (4.9) | (0.1) |
| **Income tax expense before prior period adjustments** | **(5.1)** | (13.4) | (5.1) |
| Current tax over provision in prior period | **-** | 0.7 | 0.4 |
| **Income tax expense attributable to profit from ordinary activities** | **(5.1)** | (12.7) | (4.7) |

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **Deferred tax recognised directly in equity** | | | |
| Relating to derivative financial instruments | **-** | (0.3) | (0.3) |
| **Deferred tax recognised directly in equity** | **-** | (0.3) | (0.3) |
| **Current tax (payable)/receivable** | | | |
| Balance at the beginning of the period | **(0.2)** | 2.0 | 2.0 |
| Movements during the period: | | | |
| – income tax paid | **4.2** | 5.6 | 3.6 |
| – income tax expense on current period profit | **(6.1)** | (13.9) | (7.4) |
| – (under)/over provision in prior period | **-** | 0.7 | 0.4 |
| – transfer from related party | **-** | - | - |
| – transfer from deferred tax asset | **2.6** | 5.4 | 2.4 |
| **Balance at the end of the period** | **0.5** | (0.2) | 1.0 |

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 6. Earnings per unit

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| **Profit used in calculating distributable earnings per unit** | | | |
| Profit after income tax used in calculating basic and diluted earnings per unit | **60.2** | 134.1 | 65.4 |
| Gain on disposal of property investments | **(4.3)** | - | - |
| Unrealised movement in fair value of property investments | **(13.7)** | (23.8) | (6.1) |
| Realised movement in fair value of property investments | **-** | (2.3) | - |
| Movement in fair value of derivative financial instruments | **4.2** | (19.1) | (14.1) |
| Base Fee to be settled in GMT units | **3.1** | - | - |
| Changes in cash flow hedge reserve | **-** | 1.0 | 1.1 |
| Interest on deferred vendor settlements | **0.1** | 0.4 | 0.3 |
| Non-distributable items included in share of profit arising from joint ventures | **0.3** | (2.4) | (1.2) |
| Income tax expense included in share of profit arising from joint ventures | **0.5** | 0.5 | 0.2 |
| Income tax expense | **5.1** | 12.7 | 4.7 |
| **(a) Profit used in calculating distributable earnings before tax per unit** | **55.5** | 101.1 | 50.3 |
| Current tax expense | **(6.1)** | (13.9) | (7.4) |
| Adjustment to prior year's current tax expense | **-** | 0.7 | 0.4 |
| Tax items included in share of profit arising from joint ventures | **(0.4)** | (0.4) | (0.1) |
| Depreciation recovered on disposal of property investments | **0.8** | - | - |
| Current tax expense funded through brought forward tax losses | **2.6** | 5.4 | 2.4 |
| **(b) Profit used in calculating distributable earnings after tax per unit** | **52.4** | 92.9 | 45.6 |

| Thousands | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| Weighted average number of units used in calculating basic earnings per unit and distributable earnings per unit | **1,224,733** | 1,208,932 | 1,204,611 |
| Weighted average number of units used in calculating diluted earnings per unit and distributable earnings per unit | **1,262,068** | 1,246,267 | 1,241,946 |

| Cents | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| Basic earnings after tax per unit | **4.91** | 11.09 | 5.43 |
| Diluted earnings after tax per unit | **4.77** | 10.76 | 5.26 |
| Basic distributable earnings before tax per unit [(a)] | **4.53** | 8.36 | 4.18 |
| Diluted distributable earnings before tax per unit [(a)] | **4.40** | 8.11 | 4.05 |
| Basic distributable earnings after tax per unit [(b)] | **4.28** | 7.68 | 3.78 |
| Diluted distributable earnings after tax per unit [(b)] | **4.15** | 7.45 | 3.67 |

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 7. Reconciliation of profit after income tax to net cash flows from operating activities

| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|
| Profit for the period after income tax | **60.2** | 134.1 | 65.4 |
| **Non-cash items:** | | | |
| Gain on disposal of property investments | **(4.3)** | - | - |
| Unrealised movement in fair value of property investments | **(13.7)** | (23.8) | (6.1) |
| Movement in fair value of derivative financial instruments | **4.2** | (19.1) | (14.1) |
| Changes in cash flow hedge reserve | **-** | 1.0 | 1.1 |
| Deferred lease incentives | **0.9** | (4.8) | (3.6) |
| Deferred tax expense | **1.6** | 4.9 | 0.1 |
| Amortisation of bond issue costs | **0.5** | 0.9 | 0.4 |
| Interest on deferred settlements | **0.1** | 0.4 | 0.3 |
| Share of profit arising from joint ventures | **(1.4)** | (5.9) | (2.9) |
| **Net cash provided by operating activities before change in assets and liabilities** | **48.1** | 87.7 | 40.6 |
| **Movements in working capital from:** | | | |
| Trade receivables | **0.1** | 0.1 | (1.0) |
| Current tax assets | **(1.0)** | 2.3 | 0.8 |
| Other assets | **1.6** | (1.9) | (0.4) |
| Trade payables | **1.3** | (1.8) | (1.7) |
| Other payables | **(2.1)** | 0.9 | 1.8 |
| **Items classified as investing:** | | | |
| Realised movement in fair value of property investments | **-** | (2.3) | - |
| **Net cash provided by operating activities** | **48.0** | 85.0 | 40.1 |

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 8. Trade and other receivables

| $ million | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | **1.5** | 1.0 | 1.6 |
| Prepayments | **1.8** | 0.2 | 1.2 |
| Other assets | **2.6** | 6.1 | 6.2 |
| **Total current trade and other receivables** | **5.9** | 7.3 | 9.0 |
| **Non-current** | | | |
| Other assets | **5.0** | 4.6 | - |
| **Total non-current trade and other receivables** | **5.0** | 4.6 | - |

As at 30 September 2014 no receivables were impaired (31 March 2014: $nil; 30 September 2013: $nil).

No provision for impairment of receivables was written off (31 March 2014: $nil; 30 September 2013: $nil). No additional provisions were made during the six months to 30 September 2014 (31 March 2014: $nil; 30 September 2013: $nil).

During the six months no unrecoverable receivables were written off (31 March 2014: $nil; 30 September 2013: $nil).

## 9. Derivative financial instruments

| $ million | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| **Current** | | | |
| Derivative assets | **1.3** | - | - |
| Derivative liabilities | **(0.9)** | (0.9) | - |
| **Non-current** | | | |
| Derivative assets | **3.8** | 7.0 | 8.8 |
| Derivative liabilities | **(15.0)** | (19.6) | (27.3) |
| **Net derivative financial liability** | **(10.8)** | (13.5) | (18.5) |

## 10. Investment property, commenced developments and development land

All investment property was valued by independent valuers as at 31 March 2014. At 30 September 2014 and 30 September 2013, all investment property was subject to an independent valuation review to ensure that it continued to be held at fair value. The valuation review comprised of a review of leasing activity undertaken in the period and recent comparable transactional evidence of market sales. Additionally, developments that were completed or substantially completed during the period, where fair values could be reliably determined, were subject to a full independent valuation.

As at 31 March 2014, and for completed or substantially completed developments at 30 September 2014 and 30 September 2013, the carrying amount of investment and development property is the fair value of the property as determined by a registered independent valuer, or as evidenced by a contracted sale, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The fair values are based on market values, which are derived using the capitalisation and discounted cash flow methods described in note 1 of the financial statements for the year ended 31 March 2014. The key assumptions used in the valuations are derived from recent comparable transactions to the greatest extent possible. The fair value of investment property was determined by the Manager using market data provided by independent valuers based on independent valuation advice. There were no changes in valuation techniques during the year.

Valuations reflect, 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 movements, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

| | | $ million | | |
|---|---|---|---|---|
| | Asset class | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
| ***Carter Holt Harvey, Christchurch*** [(i)] | | | | |
| Investment property | Industrial estate | **16.5** | - | - |
| ***Gateside Industry Park, Penrose*** | | | | |
| Investment property | Industrial estate | **-** | - | 30.4 |
| Development land | Industrial estate | **-** | - | 6.8 |
| **Total fair value of investment property and development land sold pending settlement** | | **16.5** | - | 37.2 |

(i) Carter Holt Harvey was unconditionally contracted for sale on 29 September 2014 for a sale price of $16.5 million. This property is held at its sale value.

## 10. Investment property, commenced developments and development land (continued)

| | | $ million | | |
|---|---|---|---|---|
| **Non-current assets** | **Asset class** | **30 Sep 14** | **31 Mar 14** | **30 Sep 13** |
| Highbrook Business Park, East Tamaki | Business park | **563.5** | 538.9 | 522.8 |
| M20 Business Park, Manukau | Business park | **144.8** | 144.7 | 138.7 |
| Central Park Corporate Centre, Greenlane | Office park | **141.8** | 144.5 | 136.2 |
| The Gate Industry Park, Penrose | Industrial estate | **135.5** | 135.5 | 132.7 |
| Savill Link, Otahuhu | Industrial estate | **121.5** | 121.1 | 119.1 |
| Westney Industry Park, Mangere | Industrial estate | **96.2** | 94.4 | 98.0 |
| Show Place Office Park, Christchurch | Office park | **95.2** | 93.5 | 94.4 |
| Millennium Centre, Phase Two, Greenlane | Office park | **72.4** | 72.0 | 67.1 |
| Millennium Centre, Greenlane | Office park | **67.1** | 66.0 | 58.1 |
| Air New Zealand House, Auckland (i) | Office park | **64.0** | 64.0 | 62.1 |
| Glassworks Industry Park, Christchurch (ii) | Industrial estate | **53.5** | 27.5 | 24.9 |
| Enterprise Park, Manukau | Industrial estate | **50.0** | 50.0 | 48.4 |
| Connect Business Estate, Penrose | Business park | **51.2** | 51.0 | 49.5 |
| Penrose Industrial Estate, Penrose | Industrial estate | **41.8** | 41.8 | 39.7 |
| Yellow HQ, Greenlane | Office park | **36.0** | 36.2 | 34.1 |
| Southpark Industrial Estate, Christchurch (iii) | Industrial estate | **25.4** | 24.7 | 24.3 |
| 614-616 Great South Rd, Greenlane (iv) | Office park | **4.5** | 4.5 | 4.4 |
| SMEC NZ House, Newmarket (v) | Office park | **-** | 21.5 | 20.9 |
| Carter Holt Harvey, Christchurch | Industrial estate | **-** | 15.3 | 14.6 |
| **Total fair value of investment property** | | **1,764.4** | 1,747.1 | 1,690.0 |

(i) Air New Zealand House was contracted for sale to GMTs joint venture arrangement, Viaduct Corporate Centre Limited, on 3 November 2014 for a sale price of $64.0 million. This property is held at its sale value.

(ii) Included within Glassworks Industry Park are Placemakers and Big Chill which were unconditionally contracted for sale on 13 October 2014 for a total sale price of $14.3 million. These properties are held at their sale value.

(iii) Included within Southpark Industrial Estate is 9 Baigent Way which was unconditionally contracted for sale on 8 October 2014 for a sale price of $4.6 million. This property is held at its sale value.

(iv) 614-616 Great South Rd was unconditionally acquired on 28 February 2013 on deferred settlement terms with settlement due no later than 31 March 2015. GMT has no entitlement to income from the property prior to settlement.

(v) SMEC NZ House was sold on 31 July 2014 for $26.2 million.

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 10. Investment property, commenced developments and development land (continued)

| | | $ million | | |
|---|---|---|---|---|
| | Asset class | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
| **Commenced developments** | | | | |
| **Held at cost** | | | | |
| Highbrook Business Park, East Tamaki | Business park | **14.1** | 16.9 | 9.6 |
| Central Park Corporate Centre, Greenlane | Business park | **3.5** | 5.8 | 3.6 |
| Glassworks Industry Park, Christchurch | Industrial estate | **-** | 15.6 | 7.7 |
| Show Place Business Park, Christchurch | Business park | **-** | 5.2 | 2.8 |
| **Total held at cost** | | **17.6** | 43.5 | 23.7 |
| **Held at fair value** | | | | |
| Highbrook Business Park, East Tamaki | Business park | **25.4** | 7.8 | - |
| M20 Business Park, Manukau | Business park | **-** | - | 4.3 |
| Central Park Corporate Centre, Greenlane | Business park | **15.9** | - | - |
| Glassworks Industry Park, Christchurch | Industrial estate | **10.0** | - | - |
| Savill Link, Otahuhu | Industrial estate | **13.7** | - | - |
| Show Place Business Park, Christchurch | Business park | **11.8** | - | - |
| **Total held at fair value** | | **76.8** | 7.8 | 4.3 |
| **Total commenced developments** | | **94.4** | 51.3 | 28.0 |

## 10. Investment property, commenced developments and development land (continued)

| | | $ million | | |
|---|---|---|---|---|
| | Land area sqm | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
| **Development land** | | | | |
| Highbrook Business Park, East Tamaki | 440,749 | **168.6** | 168.5 | 166.0 |
| Savill Link, Otahuhu [i] | 63,162 | **16.8** | 18.8 | 18.2 |
| Glassworks Industry Park, Christchurch | 48,046 | **12.0** | 12.1 | 11.0 |
| M20 Business Park, Manukau | 46,105 | **13.4** | 9.7 | 10.9 |
| Central Park Corporate Centre, Greenlane | 27,612 | **22.4** | 21.4 | 20.5 |
| Show Place Business Park, Christchurch | 10,100 | **8.5** | 8.1 | 8.0 |
| Connect Business Estate, Penrose | 5,200 | **1.1** | 1.0 | 1.1 |
| The Gate Industry Park, Penrose | 5,110 | **2.0** | 1.8 | 2.4 |
| Westney Industrial Park, Mangere | - | **-** | - | 1.3 |
| **Total fair value of development land** | | **244.8** | 241.4 | 239.4 |

(i) GMTs proportionate ownership is reflected in the land area presented.

Interest costs of $13.7 million were capitalised to properties during the six months ended 30 September 2014 (year ended 31 March 2014: $27.5 million, six months ended 30 September 2013: $13.9 million), using a weighted average capitalised interest rate of 6.15% (31 March 2014: 6.30%; 30 September 2013: 6.64%). Interest costs are capitalised based on the borrowings attributable to the development land based on its historic cost, which may differ from the fair value of the land.

## 11. Investment in joint venture

| | | $ million | | |
|---|---|---|---|---|
| Joint ventures | Principal activity | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
| Viaduct Corporate Centre Limited | Property investment | **50%** | 50% | 50% |

The investment in Viaduct Corporate Centre Limited ("VCCL") strengthens the Group with strategic partnerships, providing investment property in key locations within the Auckland region.

VCCL is incorporated in New Zealand and has a balance date of 31 March.

## 11. Investment in joint venture (continued)

**Summarised financial information for joint ventures**

Set out below is the summarised financial information for VCCL, which is accounted for using the equity method.

| | VCCL | | |
|---|---|---|---|
| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
| **Assets** | | | |
| Current assets | **0.3** | 0.9 | 0.8 |
| Non-current assets | **157.0** | 157.0 | 155.6 |
| **Total assets** | **157.3** | 157.9 | 156.4 |
| **Liabilities** | | | |
| Current liabilities | **1.5** | 2.1 | 1.6 |
| Non-current liabilities | **61.1** | 60.6 | 62.0 |
| **Total liabilities** | **62.6** | 62.7 | 63.6 |
| **Net assets** | **94.7** | 95.2 | 92.8 |
| Revenue | **6.0** | 12.2 | 5.9 |
| Interest expense | **(1.8)** | (4.1) | (2.2) |
| Profit for the period before income tax | **3.8** | 12.6 | 6.2 |
| Taxation | **(1.0)** | (0.8) | (0.4) |
| Profit for the period after income tax | **2.8** | 11.8 | 5.8 |
| Other comprehensive income net of income tax | **-** | - | - |
| **Total comprehensive income for the period attributable to shareholders** | **2.8** | 11.8 | 5.8 |

Included in non-current assets are investment properties totalling $156.2 million (31 March 2014: $156.2 million, 30 September 2013: $154.6 million).

Included in non-current liabilities is bank debt of $52.0 million provided by Westpac New Zealand Limited (31 March 2014: $52.0 million, 30 September 2013: $52.0 million).

## 11. Investment in joint venture (continued)

**Reconciliation of summarised financial information**

| | VCCL | | |
|---|---|---|---|
| $ million | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
| Net assets at the beginning of the period | **95.2** | 90.2 | 90.2 |
| Profit for the period after income tax | **2.8** | 11.8 | 5.8 |
| Other comprehensive income, net of tax | **-** | - | - |
| Dividends paid | **(3.3)** | (6.8) | (3.2) |
| **Net assets at the end of the period** | **94.7** | 95.2 | 92.8 |
| | | | |
| Interest in joint venture @ 50% | **47.3** | 47.6 | 46.4 |
| Goodwill | **6.9** | 6.9 | 6.9 |
| **Carrying value at the end of the period** | **54.2** | 54.5 | 53.3 |

VCCL has no capital commitments as at 30 September 2014 (31 March 2014: none; 30 September 2013: none).

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 12. Related party disclosures

**Identity of related parties**

The Group 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 and related services |
| Goodman Industrial Trust | Unitholder in GMT and property co-owner with GMT |
| Goodman Limited | Unitholder in GMT and parent entity of GNZ and GPSNZ |
| Goodman (Wynyard Precinct) Limited | Subsidiary of Goodman Industrial Trust |
| Viaduct Corporate Centre Limited | Joint venture |

**(a) Entities with significant influence over GMT**

Fees paid by the Group to GNZ and GPSNZ are summarised below:

| $ million | Paid to | 6 months 30 Sep 14 | 12 months 31 Mar 14 | 6 months 30 Sep 13 |
|---|---|---|---|---|
| Base Fee paid/payable to the Manager [i] | GNZ | **4.0** | 8.7 | 4.3 |
| Performance fee paid to the Manager | GNZ | **-** | - | - |
| **Total fees paid to the Manager** | | **4.0** | 8.7 | 4.3 |
| | | | | |
| Property management fees [ii] | GPSNZ | **1.7** | 3.2 | 1.2 |
| Development management fees [iii] | GPSNZ | **2.0** | 4.5 | 0.7 |
| Leasing fees | GPSNZ | **0.7** | 1.3 | 0.6 |
| Acquisition and disposal fees | GPSNZ | **0.8** | 0.4 | - |
| Minor project fees | GPSNZ | **-** | 0.5 | 0.5 |
| **Total property management, development management and other fees** | | **5.2** | 9.9 | 3.0 |

(i) Of the Base Fee charged by GNZ, $0.9 million was capitalised to property investments (31 March 2014: $2.0 million; 30 September 2013: $1.0 million).

(ii) Of the property management fees charged by GPSNZ, $1.6 million was paid by customers and was not a cost borne by GMT (31 March 2014: $3.0 million; 30 September 2013: $1.2 million).

(iii) Of the development management fees charged by GPSNZ, $2.0 million was capitalised to properties (31 March 2014: $4.5 million; 30 September 2013: $0.7 million).

## 12. Related party disclosures (continued)

GMT has accrued Base Fees payable to GNZ in respect of the period.

In accordance with GMT's Trust Deed the Base Fee payable by GMT in respect of the five year period commencing 1 April 2014 is expected to be settled by way of issuing new units in GMT to GNZ. As at 30 September 2014 no units have been issued by the Trust to the Manager in respect of these fee arrangements.

No performance fee was payable, and a deficit of $19.8 million (31 March 2014: $23.2 million; 30 September 2013: $19.0 million) was carried forward to include in the calculation to determine whether a performance fee is payable in subsequent periods. The Manager uses any performance fee proceeds to subscribe for GMT units in accordance with the terms of the Trust Deed. Further information on the operation of the performance fee is described in note 23(c) of the financial statements for the year ended 31 March 2014.

No due diligence expenses were reimbursed to GNZ (31 March 2014: $nil; 30 September 2013: $0.2 million).

GMT paid fees to GPSNZ for property management and development management services. Reimbursement of expenses was made to GPSNZ totalling $0.5 million for the period ended 30 September 2014 (31 March 2014: $0.8 million; 30 September 2013: $0.8 million). All fees paid were in accordance with the Trust Deed. There was no contribution from GPSNZ towards leasetail obligations during the period ended 30 September 2014 (31 March 2014: $0.7 million, 30 September 2013: $nil).

At 30 September 2014 $4.0 million was owed to GNZ (31 March 2014: $0.7 million; 30 September 2013: $0.7 million) and no performance fee was accrued (31 March 2014: $nil; 30 September 2013: $nil). As at 30 September 2014 $1.4 million was owed to GPSNZ (31 March 2014: $0.3 million; 30 September 2013: $0.3 million).

On 19 November 2013, GMT entered into an agreement to acquire the new Fonterra Co-operative Group Limited's headquarters from Goodman (Wynyard Precinct) Limited. Refer to note 18.

In the current period no properties were acquired pursuant to the Co-ownership Agreement between GMT and Goodman Industrial Trust (31 March 2014: none; 30 September 2013: $2.0 million). The Co-ownership Agreement was approved by unitholders at a general meeting held on 23 March 2004.

### (b) 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.

GNZ's ultimate parent entity, Goodman Group, held 215,129,772 units as at 30 September 2014 (31 March 2014: 215,149,550; 30 September 2013: 211,674,797) out of a total 1,225,137,699 units on issue (31 March 2014: 1,223,289,731; 30 September 2013: 1,202,372,312). GMT will issue Goodman Group a further 37,335,624 units no later than 14 December 2015 in final settlement of GMT's acquisition of Goodman Group's 25% interest in HDL in December 2012.

### (c) Transactions with joint ventures

No advances were payable by the Group to joint ventures at 30 September 2014 (31 March 2014: $nil; 30 September 2013: $nil). The Group had no advances receivable from joint ventures at 30 September 2014 (31 March 2014: $nil; 30 September 2013: $nil).

During the period ended 30 September 2014 dividends totalling $1.6 million were received by the Group from VCCL (31 March 2014: $3.4 million; 30 September 2013: $1.6 million).

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 13. Trade and other payables

| $ million | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | **1.7** | 0.2 | 0.3 |
| Other payables | **13.0** | 9.4 | 8.9 |
| Amounts owing in respect of deferred settlements | **4.4** | - | - |
| Accrued capital expenditure | **11.4** | 12.6 | 9.2 |
| **Total current trade and other payables** | **30.5** | 22.2 | 18.4 |
| **Non-current** | | | |
| Amounts owing in respect of deferred settlements | **-** | 4.3 | 4.3 |
| **Total non-current trade and other payables** | **-** | 4.3 | 4.3 |

## 14. Interest bearing liabilities

| $ million | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| **Current** | | | |
| 2015 Retail bond | **150.0** | - | - |
| **Total current interest bearing liabilities** | **150.0** | - | - |
| **Non-current** | | | |
| Syndicated bank facility | **499.0** | 443.5 | 548.0 |
| 2015 Retail bond | **-** | 150.0 | 150.0 |
| 2020 Retail bond | **100.0** | 100.0 | - |
| 2017 Wholesale bond | **45.0** | 45.0 | 45.0 |
| Unamortised capitalised costs on bonds | **(2.5)** | (3.0) | (1.9) |
| **Total non-current interest bearing liabilities** | **641.5** | 735.5 | 741.1 |
| **Total interest bearing liabilities** | **791.5** | 735.5 | 741.1 |

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 14. Interest bearing liabilities (continued)

**Syndicated bank facility**

A revolving credit facility totalling $600.0 million (31 March 2014: $600.0 million, 30 September 2013: $600.0 million) has been provided by a syndicate of banks.

*30 September 2014*

The facility is jointly provided by ANZ Bank New Zealand Limited (ANZ), Bank of New Zealand (BNZ), Commonwealth Bank of Australia (CBA), and Westpac New Zealand Limited (Westpac). The facility comprises four tranches; Tranche A: $150.0 million expiring in April 2016; Tranche B: $150.0 million expiring in April 2017; Tranche C: $150.0 million expiring in April 2018 and Tranche D: $150.0 million expiring in April 2019.

*31 March 2014*

The facility comprised four tranches. Tranche A: $150.0 million expiring in April 2016; Tranche B: $150.0 million expiring in April 2017; Tranche C: $150.0 million expiring in April 2018 and Tranche D: $150.0 million expiring in April 2019 provided by ANZ, BNZ, CBA, Kiwibank Limited (Kiwibank), and Westpac.

*30 September 2013*

The facility comprised four tranches; Tranche A: $125.0 million expiring in October 2014; Tranche B: $200.0 million expiring in April 2016; Tranche C: $100.0 million expiring in October 2016 and Tranche D: $175.0 million expiring in April 2018 provided by ANZ, BNZ, CBA, Kiwibank and Westpac.

The facility is secured over the assets and undertakings of Goodman Property Aggregated Limited, Henshaw Holdings Limited and Highbrook Development Limited.

The Group has given a negative pledge which provides that it will not create or permit any security interest over its assets. The principal financial ratios which must be met are the ratio of earnings before interest, depreciation and tax 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 and conduct of the Group's business.

**Retail bonds**

On 15 December 2009, the Group issued $150.0 million of fixed rate senior secured bonds, bearing a fixed interest rate of 7.75% per annum. The bonds mature on 19 June 2015. The fair value as at 30 September 2014 is $153.3 million (31 March 2014: $155.2 million; 30 September 2013: $158.8 million). It is expected that this bond will at least in part be refinanced by a further retail bond subject to market conditions at the time.

On 16 December 2013, the Group issued $100.0 million of wholesale senior secured bonds, bearing a fixed interest rate of 6.20% per annum. The bonds mature on 16 December 2020. The fair value as at 30 September 2014 is $103.4 million (31 March 2014: $100.2 million).

The fair value of these bonds has been estimated using the method outlined in note 19.

**Wholesale bonds**

On 8 September 2010, the Group issued $45.0 million of fixed rate wholesale senior secured bonds, bearing a fixed interest rate of 7.58% per annum. The bonds mature on 8 September 2017.

The fair value of fixed rate wholesale senior secured bonds as at 30 September 2014 is $47.9 million (31 March 2014: $46.5 million; 30 September 2013: $56.4 million). The fair value has been estimated using the method outlined in note 19.

# notes to the financial statements (continued)

For the six months ended 30 September 2014

## 15. Issued units

| Reconciliation of movements in Goodman Property Trust units | 6 months 30 Sep 14 No. of units 000s | 6 months 30 Sep 14 Value $ million | 12 months 31 Mar 14 No. of units 000s | 12 months 31 Mar 14 Value $ million | 6 months 30 Sep 13 No. of units 000s | 6 months 30 Sep 13 Value $ million |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the period** | **1,223,290** | **1,375.5** | 1,202,376 | 1,355.1 | 1,202,376 | 1,355.1 |
| **Movements during the period** | | | | | | |
| Issue of units pursuant to Distribution Reinvestment Plan | **1,848** | **1.8** | 20,914 | 20.4 | 7,997 | 8.1 |
| **Balance at the end of the period** | **1,225,138** | **1,377.3** | 1,223,290 | 1,375.5 | 1,210,373 | 1,363.2 |

Units have no par value. All units are fully paid.

| $ million | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| Net tangible assets | **1,288.5** | 1,265.6 | 1,222.5 |

| cents | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| Net tangible assets per unit | **102.1** | 100.4 | 98.0 |

## 16. Segment reporting

The chief operating decision-maker has been identified as the Board of Directors of Goodman (NZ) Limited. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The key reports used by the Board for considering and monitoring the business consider all of the properties together. As such there is only one reportable segment.

## 17. Events subsequent to balance date

On 8 October 2014, 9 Baigent Way, Southpark Industrial Estate was unconditionally contracted for sale at a price of $4.6 million, with settlement expected 1 December 2014.

On 13 October 2014, Placemakers and Big Chill, Glassworks Industry Park were unconditionally contracted for sale at a price of $14.3 million, with settlement expected 31 December 2014.

On 16 October 2014, GMT expanded and re-financed its revolving credit facility to include HSBC. The facility continues to total $600.0 million and be secured over the assets and undertakings of Goodman Property Aggregated Limited, Henshaw Holdings Limited and Highbrook Development Limited.

On 3 November 2014, GMT entered into a conditional contract to purchase a further 1% of its Joint Venture, VCCL. At the same time, GMT conditionally agreed to sell the Air New Zealand building to VCCL for a sale price of $64.0 million. Additionally, GMT conditionally agreed to sell Fonterra Co-operative Group Limited's new headquarters to VCCL, settlement to be made following completion of the building (anticipated to be February 2016).

On 7 November 2014, the sale of Carter Holt Harvey settled for $16.5 million.

## 18. Commitments and contingencies

As at 30 September 2014, the Group had $21.7 million of material capital commitments relating to development properties (31 March 2014: $50.2 million; 30 September 2013: $14.6 million).

On 19 November 2013, GMT entered into a conditional agreement to acquire Fonterra Co-operative Group Limited's new headquarters from Goodman (Wynyard Precinct) Limited ("GWP") for $92.6 million. A deposit of $4.6 million was paid during the year ended 31 March 2014; settlement to be made following completion of the building (anticipated to be February 2016). On 3 November 2014, GMT entered into a conditional agreement to onsell the Fonterra building to VCCL immediately on acquisition from GWP.

GMT has incurred no material contingent liabilities in relation to its interests in joint ventures.

Other than as disclosed in note 3, the Group does not have any material non-cancellable operating lease commitments.

## 19. Fair values of financial instruments

Except for the retail and wholesale bonds, the carrying values of all balance sheet financial instruments approximate their estimated fair value:

+ derivative financial instruments are carried at fair value, as discussed below;
+ receivables and payables are short term in nature and therefore approximate fair value; and
+ all other interest bearing liabilities reprice at least every 90 days and therefore approximate fair value.

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

The 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:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety 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 as of the date of the event or change in circumstances that caused the transfer.

The methods used in determining fair value are as follows:

**Derivative financial instruments**

The Group's derivative financial instruments held at fair value are all classified as Level 2 financial instruments, meaning that they are estimated using present value or other valuation techniques based on market rates at 30 September 2014 of between 3.70% for the 90 day BKBM and 4.57% for the 10 year swap rate (31 March 2014: 3.11% and 5.01%, 30 September 2013: 2.68% and 4.86%, respectively).

There were no transfers of derivative financial instruments between levels of the fair value hierarchy in the six months ended 30 September 2014.

## 19. Fair values of financial instruments (continued)

**Interest bearing liabilities**

The fair value of the retail senior secured bonds is determined by reference to the quoted market price of the underlying debt securities and is classified as Level 1 in the fair value hierarchy. The fair value of the wholesale senior secured bonds is determined using discounted cash flow analysis by reference to current market rates for comparable instruments and is classified as Level 2 in the fair value hierarchy.

There were no transfers of interest bearing liabilities between levels of the fair value hierarchy in the six months ended 30 September 2014.

There were no changes to these valuation techniques during the period.

**Recurring fair value measurements**

The following financial instruments are subject to recurring fair value measurements:

| $ million | 30 Sep 14 | 31 Mar 14 | 30 Sep 13 |
|---|---|---|---|
| Derivative financial instruments – Level 2 | **(10.8)** | (13.5) | (18.5) |

# Independent Review Report

to the unitholders of Goodman Property Trust

## Report on the Interim Financial Statements

We have reviewed the accompanying interim financial statements of Goodman Property Trust ("the Trust") and its controlled entities ("the Group") on pages 10 to 34, which comprise the statement of financial position as at 30 September 2014, the statement of comprehensive income, the statement of changes in unitholders' funds and the statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

### Manager's Responsibility for the Interim Financial Statements

The Directors of Goodman (NZ) Limited ("the Manager") are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34: *Interim Financial Reporting* ('IAS 34') and New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* ('NZ IAS 34') and for such internal controls as the Manager determines are necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### Our Responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410: *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those interim financial statements.

We have no relationship with, or interests in, Goodman Property Trust or any of its controlled entities other than in our capacities as auditors and providers of other assurance and advisory services. These services have not impaired our independence as auditors of the Trust and the Group.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Group, do not present fairly, in all material respects the financial position of the Group as at 30 September 2014, and of its financial performance and its cash flows for the period ended on that date, in accordance with IAS 34 and NZ IAS 34.

### Restriction on Use of our Report

This report is made solely to the Trust's unitholders, as a body. Our review work has been undertaken so that we might state to the Trust's unitholders those matters which we are required to state to them in our review 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's unitholders, as a body, for our review procedures, for this report or for the conclusion we have formed.

PricewaterhouseCoopers

Chartered Accountants Auckland
11 November 2014




DHL Warehouse, Glassworks Industry Park, Christchurch.