26 September 2018

The Manager
Company Notices Section
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

Goodman Group (Goodman) – Stakeholder Review and 2018 Annual Report

The Goodman Stakeholder Review and 2018 Annual Report (incorporating the consolidated financial reports for Goodman Limited, Goodman Industrial Trust, and Goodman Logistics HK Limited) was dispatched to Securityholders today.

The Reports and covering letter are attached.

Yours sincerely

Carl Bicego
Company Secretary

enc

Goodman Group
Goodman Limited | ABN 69 000 123 071
Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
as responsible entity of Goodman Industrial Trust | ARSN 091213 839
Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia
Tel +61 2 9230 7400 | Fax +61 2 9230 7444
Goodman Logistics (HK) Limited | Company No. 1700359 | ARBN 155 911 149 | a Hong Kong company with limited liability
Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070
info-au@goodman.com | www.goodman.com

26 September 2018

Dear Securityholder

Goodman Group – Stakeholder Review and 2018 Annual Report

We are pleased to present the Goodman Stakeholder Review and Annual Report for 2018. The Stakeholder Review provides a comprehensive presentation of Goodman's global business for our Securityholders, Partners and customers.

The Annual Report includes the consolidated financial reports for Goodman Limited (being for the entire consolidated Goodman Group), Goodman Industrial Trust and Goodman Logistics (HK) Limited. The online versions are also available at www.goodman.com.

Goodman has produced another strong performance in FY18. These results are underpinned by the expertise of our people and the consistent long-term decision making and collaboration across our international businesses. We capitalised on market conditions and continued to deliver consistent and sustainable growth, which saw a solid operating profit of $846 million, up 9% on FY17. We delivered operating earnings per security of 46.7 cents, up 8.3% on FY17 and distribution per security of 28.0 cents, up 8.1% on FY17.

The Group's strategy is designed to deliver sustainable performance over the long-term and we have continued to concentrate our portfolio in infill and urban locations providing our customers with proximity to their consumers. These portfolio decisions have driven our operational performance this year and with market conditions favourable at present, the outlook for FY19 is positive, with forecast EPS growth of 7% on FY18.

Annual General Meetings

The Annual General Meetings for the Goodman entities will be held at 10.00am (Sydney time) on Thursday, 15 November 2018 at The Westin Sydney, Heritage Ballroom, No 1 Martin Place, Sydney NSW. The Notice of Meetings and Proxy Forms will be dispatched to Securityholders on 12 October 2018.

Thank you for your support over the past year.

Yours sincerely,

Gregory Goodman

Group Chief Executive Officer

Goodman Group

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MAKING SPACE FOR GREATNESS

AMELIA IS SIX YEARS OLD AND PART OF GENERATION Z. SHE LIVES WITH HER PARENTS 25 MINUTES FROM THE CITY CENTRE AND IS GROWING UP IN AN ON-DEMAND ERA WHERE MOST NEEDS AND DESIRES ARE ABLE TO BE MET 24/7.

GOODMAN GROUP STAKEHOLDER REVIEW 2018

IT'S NOT ENOUGH TO SIMPLY WISH FOR
THE LONG-TERM WITH DETERMINATION AND DRIVE.
CONSTANTLY CHANGING AND TO BE PART OF THE
TO NEW WAYS OF WORKING. IT'S IN THIS WAY WE AIM
NEED TO SUCCEED BY PROVIDING SUSTAINABLE
HIGH-QUALITY LOCATIONS. WE ACTIVELY PURSUE THE
THE SPACE THEY NEED TO GROW AND PUSH US ALL A
FUTURE OF THE PLANET AND ALL THE PEOPLE IN
RESPONSIBILITY AND WE CHOOSE TO WORK WITH
IT'S ONE OF THE REASONS WE PARTNER WITH
STRIVING TO MAKE A DIFFERENCE FOR THOSE WHO
IS NOT A SINGULAR PURSUIT. NOR IS IT ONE THAT IS
IS TO MAKE IT A POSSIBILITY FOR EVERYONE BY

GREATNESS. WE NEED TO COMMIT TO IT FOR
AT GOODMAN, WE UNDERSTAND THE WORLD IS
FUTURE WE MUST REMAIN AGILE AND OPEN
TO GIVE OUR CUSTOMERS THE SPACE THEY
SOLUTIONS AND UNPARALLELED SERVICE IN
VERY BEST PEOPLE. AND WE GIVE THOSE PEOPLE
LITTLE FURTHER. WE CARE ABOUT THE
IT. WE BELIEVE SUSTAINABILITY IS OUR
PEOPLE AND ORGANISATIONS WHO FEEL THE SAME.
CHARITIES ALL OVER THE WORLD WHO ARE
CAN'T ALWAYS SEE A WAY FORWARD. GREATNESS
EASY TO REACH. BUT AT GOODMAN OUR VISION
MAKING SPACE FOR IT IN EVERYTHING WE DO.

Goodman Commerce Center Eastvale, Los Angeles, USA.

All figures in this report are in AUD unless otherwise stated.


Goodman

THIS IS GOODMAN

Goodman is a global industrial property group. We own, develop and manage industrial real estate in 17 countries.

Through our Partnerships, institutional investors access our specialist investment management services and property assets. Our decisions are based on local knowledge and are grounded in more than 30 years of experience.

Goodman thinks big picture and long-term. We have the teams, scale, expertise, infrastructure and capital to nourish long-term relationships with customers around the world, and the flexibility to adapt to their local business needs.

We service a diverse customer base with specialist expertise in:

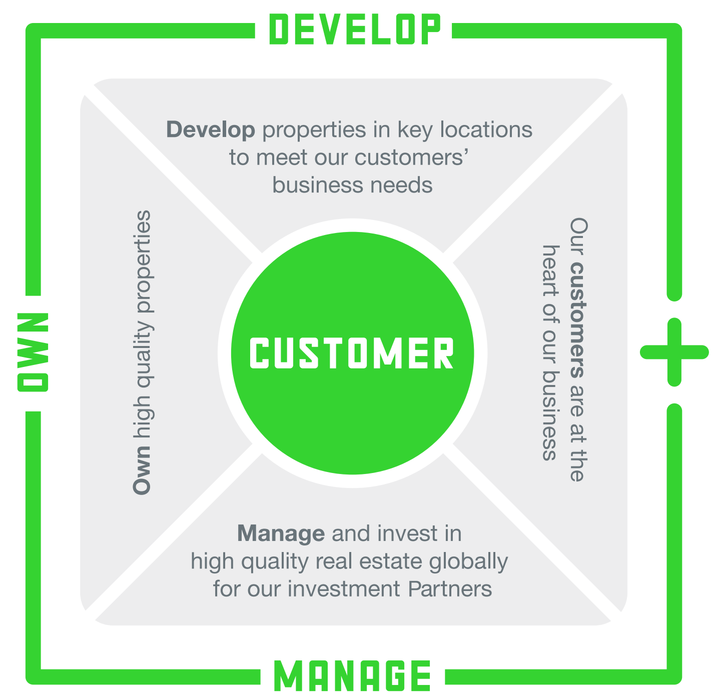
LOGISTICS

E-COMMERCE

RETAIL

AUTOMOTIVE

We built our enduring own+develop+manage model with customers at the centre for a single, simple reason: to make space for them to succeed. Using this model, everything we do centres on their success.



BY 2050 MORE THAN TWO THIRDS

OF HUMANITY WILL LIVE IN CITIES.

Source: United Nations Department of Economic and Social Affairs, 2018.

IAN FERRIER AM

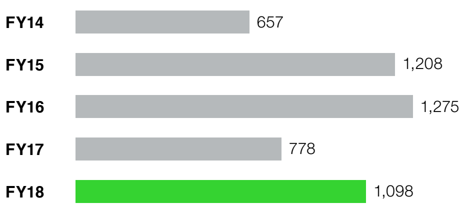
MAKING SPACE FOR SHARED SUCCESS

CHAIRMAN'S LETTER

Oakdale Industrial Estate, Sydney, Australia.

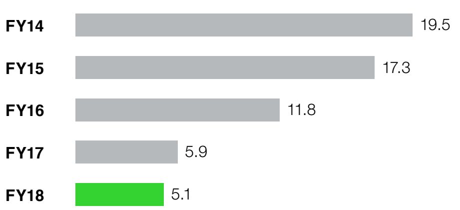
OPERATING EPS (¢)

STATUTORY PROFIT ($m)

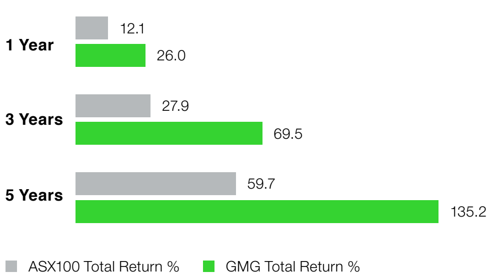


OPERATING PROFIT ($m)

GEARING (%)



TOTAL SECURITYHOLDER RETURN (TSR) (%)



Goodman performed very well in FY18 and we are positive, too, about the outlook and sustainability of our operating platform. Our financial highlights include:

- Operating profit of $845.9 million, up 9% on FY17
- Statutory profit of $1,098.2 million
- $639 million in property valuation gains, contributing to 10% year-on-year growth in net tangible assets to $4.64 per security
- Operating earnings per security (EPS) of 46.7 cents, up 8.3% on FY17
- Distribution per security (DPS) of 28.0 cents, up 8.1% on FY17
- Maintaining a strong financial position with balance sheet gearing stable at 5.1%, down from 5.9% in FY17
- Group liquidity at $3.4 billion
- Total Securityholder return of 26% over one year, 69.5% over three years and 135.2% over five years.

Culture is key

These financial results directly reflect the successful execution of Goodman's long-term strategy. While the numbers are strong, I'm equally proud of the performance of our people. Goodman's culture is characterised by quality across all aspects of the business – our people, our products and our service.

In the last three years, Goodman has run an internal programme to instil the importance of the Group's values in our global team. We want everyone to understand our values and the behaviours needed to support our long-term success. Management has put significant focus across all our markets in creating the right culture and equipping our teams to act in our stakeholders' best interests.

We have scrutinised both our work culture and professional behaviour and continue to strive for strong ethics and corporate governance. We encourage a disciplined approach, with management leading by example in being transparent and modest in their dealings.

We are satisfied we're in a healthy position that supports our business long-term. Yet even so, we never lose sight of how important it is to have the right team to foster the right culture at a local and global level.

Sustaining success

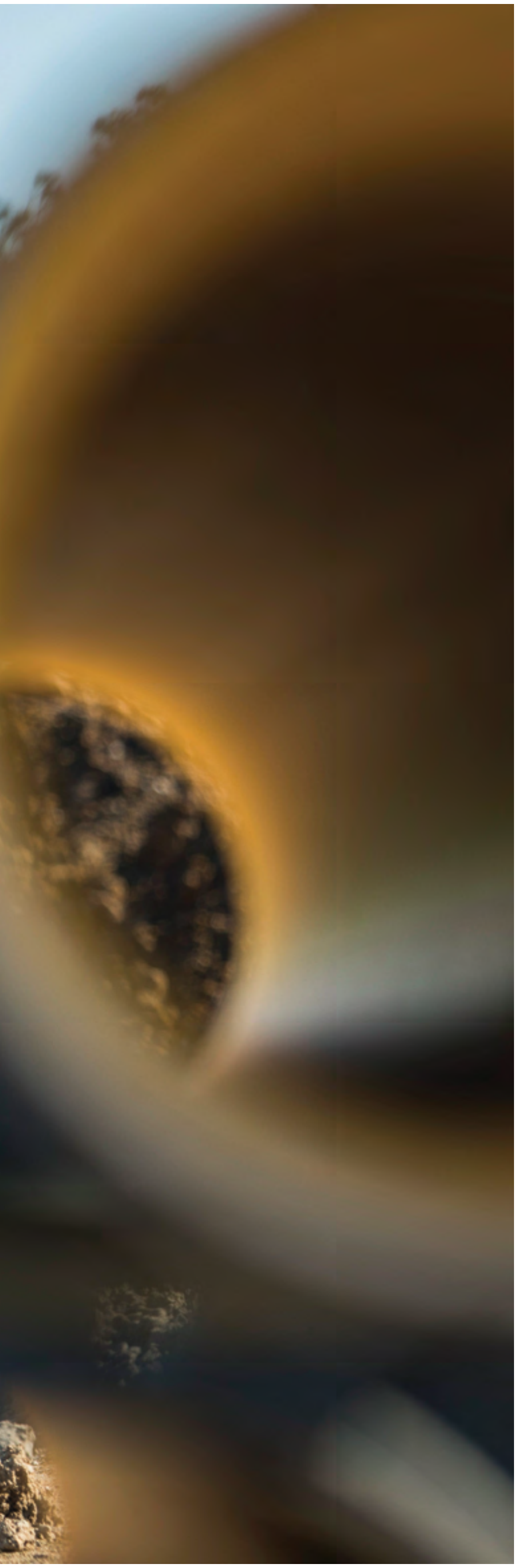
Delivering on the Group's long-term strategy is contingent on creating a culture that aligns the interests of our people and our Securityholders. In a highly competitive environment, with a business reliant upon having the best people to deliver the strategy, the Group has outperformed the ASX100 largely due to its ability to motivate, focus and retain its people.

Goodman's remuneration strategy ensures the balance between fixed pay and performance-based remuneration is aligned to Securityholders' long-term interests; that is, sustainable long-term EPS growth and, ultimately, investment returns. Securityholders and Goodman team members are mutually impacted by our performance, with Securityholders' interests met before short-term incentive awards are paid or long-term incentives vest. There is significant emphasis on long-term incentives for all team members, which are at risk with a three-year testing period and vesting over three-to-five years.

Both Securityholders and our people have benefited from Goodman's sustained strong growth. In an era when employees expect companies to develop their skills as well as provide opportunities for people to share in the company's success, Goodman's global incentive scheme is a crucial offering. It offers significant performance-based rewards to all, as opposed to a few. We believe this has been a key point of difference in creating a collaborative culture focused on sustained success.

In this Stakeholder Review, we show how we are continuing to build a sustainable business by delivering a strong financial result while striving to make a positive impact on people and the planet.

This includes supporting communities and charities in the markets we operate in, creating a culture in which our people are developing to their fullest capacity, and ensuring our buildings are energy efficient and environmentally sustainable.



Board changes
There have been some changes to the Goodman Board.

We welcome Ms Penny Winn to the Board as an Independent Director of Goodman Limited and Goodman Funds Management Limited and a member of the Risk and Compliance and Audit Committees. We also welcome Mr David Collins as an Independent Director of Goodman Logistics (HK) Limited.

After more than 12 years serving on the Board through the good and also the challenging times, Mr Jim Sloman, OAM, will be retiring. I thank him for his significant contribution to Goodman.

Thank you
I would like to acknowledge Goodman's strong and committed team for the execution of our strategy and contribution to FY18's outstanding results. The team is delivering a sustainable business into the future and I would like to thank them, our Partners, investors and our customers for their continued support.

Mr Ian Ferrier AM
Independent Chairman

BY 2020 THERE WILL BE 2 BILLION PEOPLE IN

Tokyo, Japan.

GEN Z WITH US$3 TRILLION PURCHASING POWER.

Source: IBM National Retail Federation Study, 2017.

FIT

GREGORY GOODMAN

PURPOSE

GROUP CEO'S LETTER

FOR

At Goodman, we make decisions for the long-term. Our strong performance in FY18 is due to years of long-term decision-making by our people around the world.

By taking this approach in all we do – from implementing our business strategy to selectively acquiring real estate and working with global stakeholders – we continue to build a sustainable business that can meet the expectations of our customers, Partners, investors, team members and the community, now and in the future.

Our positive results have not caused us to become complacent. We are constantly evaluating opportunities and keeping abreast of changes influenced by technology and other market drivers. To complement this, we have created an environment that enables us to be flexible and capitalise on the opportunities that will deliver on our long-term strategy.

We are constantly evaluating opportunities and keeping abreast of changes influenced by technology and other market drivers.

Wrocław South Logistics Centre, Wrocław, Poland.

FY18 results

Goodman produced another strong result. I'm proud of our global team, with all regions consistently executing our strategy and delivering for our customers and Investment Partners. We are in a solid position for the year ahead.

The headline numbers in this year's results reflect the positive performance of our underlying operations.

Our portfolio is of high quality and our properties around the world continue to drive our operational result. We saw property fundamentals steadily improve during the year, achieving like-for-like net property income growth of 3.2% and 98% occupancy across the portfolio.

Strong customer demand globally is driving our development workbook and we've increased work in progress to $3.6 billion across 80 projects in 12 countries. Importantly, the majority of our development work is in our Partnerships, resulting in efficient capital deployment for Goodman and enhanced returns for our Partners.

Goodman's Partnerships continued to perform strongly, with 15% average return for our Partners this year. External assets under management also grew to $35.1 billion. This was driven by $2.8 billion in revaluation gains and $3.5 billion in development completions across the Group and Partnerships.

Change equals opportunity

Our industry as well as our customers' industries, are going through transformational change, providing challenges, but opportunities too.

Advances in technology, changes in consumer behaviour, and the concentration of our portfolio in key urban centres continue to drive customer demand for industrial space, while generating positive returns for our Investment Partners.

In this evolving environment, it is essential to be proactive, understand the market and provide flexible solutions to help our customers service their customers.

Having the right property in the right location is critical to our customers' success. They want to be close to consumers and operate at maximum efficiency. That's why we're seeing greater investment in warehouses – in technology, in seeking out premium locations and in commitment to extended leases.

The year ahead

To support future returns – as well as development activity and asset growth – we'll be looking to more intensive use of Goodman's existing sites and their timely development into higher value assets.

With market conditions expected to remain favourable for FY19, the outlook across our business is positive.

Outlook

$913m

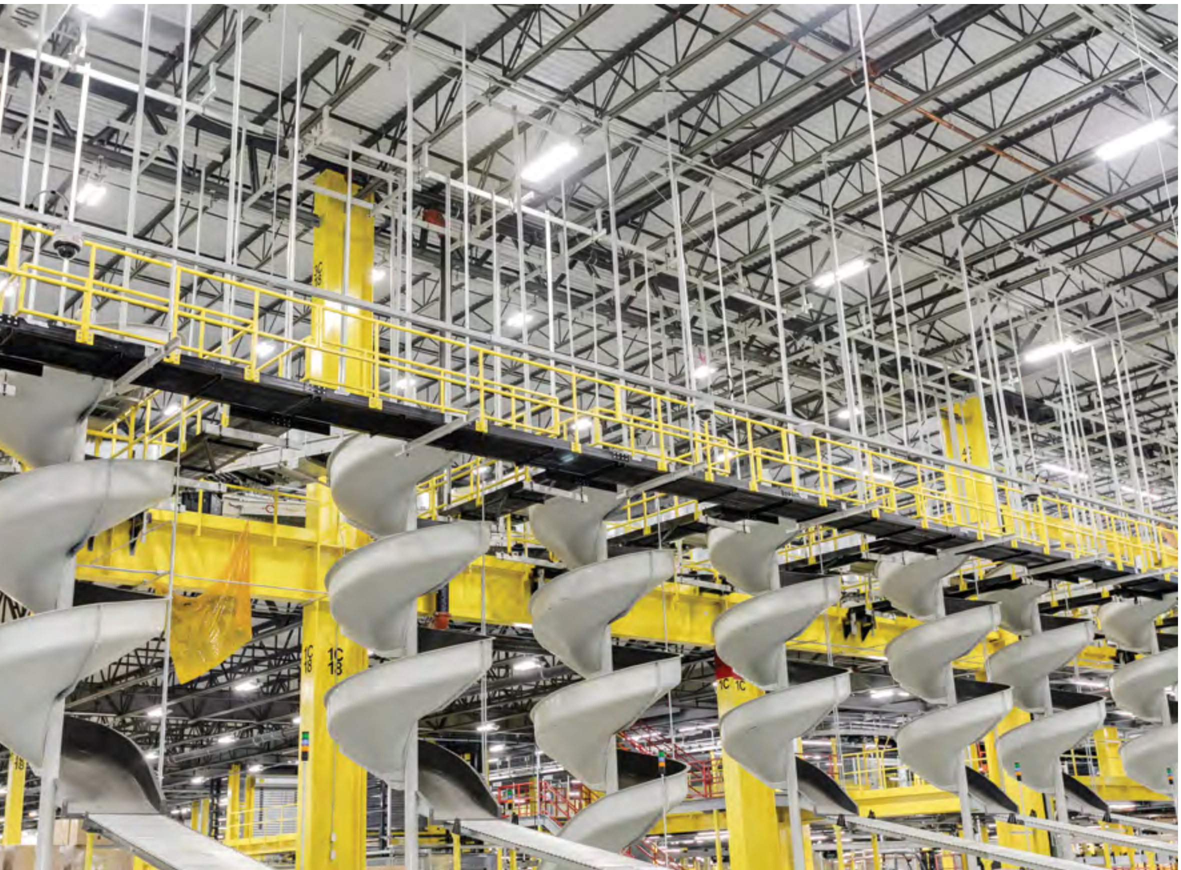
Operating profit
up 8% on FY18

50¢

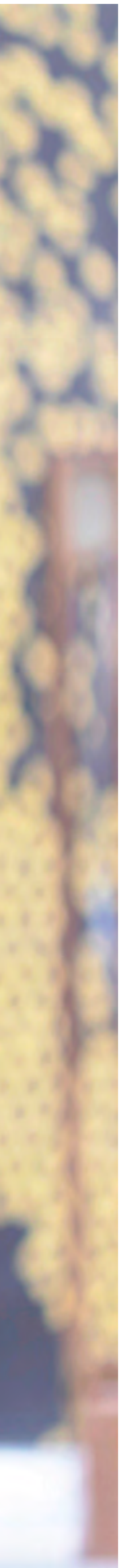
Operating EPS
up 7% on FY18

30¢

DPS
up 7% on FY18



Hamburg II Logistics Centre, Hamburg, Germany.



We're looking beyond the financial metrics to ensure we build a sustainable business for the long-term.

Long-term sustainability
While we're pleased with our positive results, we always strive to do better. We're looking beyond the financial metrics to ensure we build a sustainable business for the long-term.

We're doing this in a number of ways. We're designing the best properties in the best locations, so our customers can do even better for their customers. We're creating a workplace where our people can reach their full potential. And we're sharing our resources with the Goodman Foundation partners to support charities in their own missions.

We're not content with good at Goodman – we strive to be great. And we want our stakeholders to achieve greatness too. This couldn't be achieved without the hard work and dedication of our people around the world. I would like to sincerely thank the team and, on behalf of them, extend my gratitude to all our stakeholders for their ongoing support.

Mr Gregory Goodman
Group Chief Executive Officer

BY 2025 OVER US$67 BILLION

WILL BE INVESTED INTO ROBOTICS.

Source: Boston Consulting Group, 2014.

MAKING SPACE FOR GREATN

Meet Amelia*, Andrew*, Anna* and Deborah. They’re why we exist. They’re our valued customers, our team members, and our community. They’re also our future. Learn how we’re making space for them to succeed.

Our stakeholders’ needs are many and varied and keep evolving as the world does.

At Goodman, we develop close relationships with our stakeholders, so we can help them reach their full potential. We don’t pretend to have all the answers, but we do believe we can have a lasting positive impact and make greatness a possibility for them.

To be a vital player in a world of constant change, Goodman knows it must stay open to new ways of working. We have the best people and give them space to grow and push us all a little further. We give our customers the space they need to succeed by providing unparalleled service and sustainable solutions in high-quality locations.

We care about the future of the planet and the people in it. We believe sustainability is our responsibility and we choose to work with people and organisations that feel the same. It’s one of the reasons we partner with charities all over the world who are striving to make a difference to the lives of those who can’t always see a way forward.

Greatness is not a singular pursuit, nor is it always easy to reach. But Goodman’s vision is to make it a possibility for everyone by making space for it in everything we do.

Our first step is looking at the world through our stakeholders’ eyes.

ESS

*These characters have been created based on typical attributes or traits of our stakeholder groups.

THE

Amelia is six years old and part of Generation Z.
She lives with her parents 25 minutes from the city centre. It is likely she will keep living in, or close to, the city as she becomes an adult. Unlike her parents, who both have a car, she probably won't. In fact, she's less likely to get a driver's licence than the generations that came before. She'll opt for public transport or a ride share service of the future. By this time, too, car travel will be electric and/or driverless.

FUTURE

Amelia is growing up in an on-demand era where most needs and desires are able to be met 24/7. She uses a tablet or phone for education and play – every day. Her family shops online for her clothes, school equipment and toys. Amelia expects her deliveries to arrive on the same day. She understands if she has to wait until the next day but feels frustrated nevertheless.

Groceries are home delivered and, as a treat, Amelia gets her favourite pasta dish delivered from a menu she knows well from a restaurant she's never been to.

Amelia is both a digital and social native. As she gets older she will start to think about fairness and equality. She will support causes that help to address poverty and world hunger. She'll care about the environment and, as a city-dweller, about parks and green spaces because respite and clean air are vital for her physical and mental wellbeing.

When choosing where she'll work, it will be important to Amelia that her employer is purposeful and transparent. She will have grown up in an era where everyone can publish 'news', so will be sensitive to inauthentic behaviour and attitudes. As such, she will believe everyone is accountable for their actions and that corporations must address humanitarian and environmental issues.

Amelia might work in education, healthcare or science, or have a job that does not yet exist. She will want to innovate, collaborate and co-create and she won't want to advance through a company in a linear fashion. Like her baby boomer grandparents, she'll be willing to work hard but she'll want a career and a family life without compromising on either. She'll expect flexible working conditions and the ability to shape her own schedule and fulfil her role from wherever suits her best.

The digital knowledge of Gen Zers often exceeds that of older members of their households and can influence family members' paths to purchase.

Source: National Retail Federation, 2017.

URBANISATION

More people are living in cities now than ever before and this number is set to grow. That's why Goodman's properties are in key urban centres where there are large populations of consumers adopting new technologies and embracing e-commerce.

Goodman Interlink, Hong Kong, China.

FLEXIBLE WORK

Goodman believes in working smart. Our people are empowered to manage their own time to balance personal commitments with our stakeholders' needs. Our commitment extends beyond formal flexible work policies to what we call flexible work practices. We provide the right tools, workspaces and technology to allow the team to work from anywhere to maximise their efficiency.

SOCIAL CONSCIENCE

The Goodman Foundation creates positive social change in the communities it operates in. Through its programmes, Goodman and its people contribute in tangible ways including volunteering and in-kind aid such as business space or cash grants. Positive outcomes include enabling SOS Children's Villages to carry out its work to help thousands of children in Europe, as well as supporting Feeding Hong Kong so it can deliver 3.2 million meals to those in need.

Good360 Australia, a Goodman Foundation partner.

E-COMMERCE GROWTH

In 2017, global e-commerce sales hit US$2.3 trillion*. This figure is expected to reach more than US$4.9 trillion in 2021*. E-retailers are racing to hasten deliveries of online orders and this fundamental shift is driving demand for logistics facilities in Goodman's operating markets.

*Source: Statista, 2018.

THE

Andrew is the Logistics and Supply Chain Director for an online fashion retailer. It delivers clothes and shoes to a global network of retail stores, as well as directly to customers. Andrew needs the best property partner for his business. For him, it's about the right site in the right location. His business offers same and next-day delivery to customers in the region, so it's essential he finds a location close to major urban centres.

CUSTOMER

He wants to deal with specialists who have the right locations, or land available on which to develop new facilities.

To compete, Andrew needs his supply chain at maximum efficiency, which for him means the latest technology and automation. Things move fast, so staying adaptive and flexible is crucial. He wants his property partner to help him grow, which may mean helping him to re-design his facility to update its automated sorting equipment.

Andrew needs a property partner who understands future challenges better than he does. He wants to deal with specialists who have the right locations, or land available on which to develop new facilities. He wants to feel confident his partner can manage his real estate needs so he can concentrate on his core work: distributing products to customers.

Numerous providers can offer Andrew a suitable facility but more than that, he values:

- Great customer service – responsive, experienced and with a long-term view of working together over a number of years
- Quality – Andrew's distributors will visit his facility, so it must have a professional presentation, be well built and be scrupulously maintained. He needs it to reflect positively on his business and motivate his workforce.

Andrew cares about the future and knows his customers do too. He wants success that's not at the expense of the planet and he knows a lot about how fashion manufacturing impacts the environment. He constantly looks for ways to embrace an ethical mindset and embed sustainable practices into projects.

His company is proud of its commitment to sustainability and social responsibility. It uses ethically sourced materials and expects its facility to manufacture sustainably. To this end, it's important the facility is energy efficient with consideration given to solar panels, LED lights and water recycling.

Andrew is cost conscious, but he doesn't want to cut corners or compromise quality. His company takes care of its people and views them as an asset. To attract top talent, he knows he needs to provide convenient transport connections and the best amenities, such as well-designed breakout zones, cafés, gyms and outdoor areas.

FLEXIBLE

Goodman knows there is no single way to do something, only the right way for each customer. Our team works closely with customers to understand their current and future needs. We know there are many drivers of change, so our solutions need to not only be functional, but also flexible.

SUSTAINABLE

Goodman's world-class logistics spaces are sustainable, resilient and innovative. Our properties provide long-term value for our Partners, customers and communities and all our developments in FY18 included sustainable design features.

Goodman Sakai, Tokyo, Japan.

INDUSTRIAL PROPERTY SPECIALISTS

We specialise in industrial property and have over 30 years of experience. We bring global innovations to our local customers. Our team has a proven track record in delivering on all aspects of property procurement on time and customised to our customers' needs.

FASTER

To compete, it's critical to get goods to consumers as quickly as possible. Goodman's properties are close to key infrastructure links such as roads, rail, ports and airports, providing rapid connectivity to a large population of consumers.

THE

Anna is a Portfolio Manager at Goodman. In her eight years with the business, she's seen lots of change in society and at work. When Anna started at Goodman, she sat at the same desktop computer every day and travelled from Goodman's city office to see her customers. Today, Anna prefers to work from a satellite office at a Goodman property. She's closer to her customers and can be a lot more efficient.

TEAM PLAYER

She must be highly responsive and ensure processes stay seamless for colleagues and customers.

As a Portfolio Manager, Anna ensures her properties are managed for the long-term and are of exceptional quality. This includes the highest possible standard of maintenance, presentation and property administration. Anna also manages a team which helps her in this customer-focused role.

As a working mother with two children, efficiency and flexibility are critical. Her days are spent juggling the logistics of work and family life. Anna and her partner jointly manage school drop-offs, picks-ups and extra-curricular activities while maintaining full-time workloads.

When she's not in the office, Anna remains connected to her customers, colleagues and peers. Working standard office hours from a single location doesn't work for her – or her customers or family. She must be highly responsive and ensure processes stay seamless for colleagues and customers. For Anna, technology makes this possible, coupled with a genuinely flexible workplace.

Technological change has transformed Anna's work and personal life. She values innovation and enjoys the flexibility new technologies have delivered. She is concerned, however, by digital connectivity's impact on face-to-face time so she endeavours to see her customers in person as much as possible. She enjoys being onsite to get a hands-on sense of what makes her customers' businesses tick, and what they really need from Goodman.

To give back more broadly, she canvasses concrete opportunities to support the homeless or raise money for charity. Events such as this are great ways to spend time bonding with her team too. Fairness and equality are part of Anna's values, so she expects respect from her employer and team members, always, and works to provide the same.

Like all Goodman people globally, Anna has been fortunate to benefit from the company's success through its Long-Term Incentive Plan. The scheme makes her feel like a part-owner in the company, motivating her to work hard and take a long-term approach to her decision-making.

She understands that her success depends on the success of Goodman's customers, Partners and investors. She wants to feel she is a significant contributor and that she can continue to build a career at Goodman, so she can be confident about the future.

SERVICE

We know our customers. With their help, we learn about their business to provide the best service possible. We always aim to be quick to respond to enquiries or issues and are proactive in addressing their current and future needs. The performance of all team members is measured by their customer focus.

GIVING BACK

The Goodman Foundation encourages team members to give back in satisfying and tangible ways to the communities around them. Whether it's supporting the homeless or raising money for charities, the Goodman Foundation facilitates the process, and provides additional financial support.

The Goodman team volunteering at Second Harvest Food Bank of Orange County, Los Angeles, USA.

COLLABORATION AND EFFICIENCY

Goodman takes teamwork seriously. Our workspaces follow contemporary design practices to ensure maximum collaboration and efficiency. Our offices use activity-based working, which is adaptive to our people's diverse daily tasks, and our satellite offices and remote options allow our team to service their stakeholders in the most effective way.

HIGH-QUALITY

Everyone at Goodman plays a role in ensuring our properties are of the highest standard. From the quality of the location and the construction materials, to the overall appearance, all team members are responsible. Our teams are trained to notice the things that matter, and the result is consistently well-presented properties and a great working environment for our customers.

Goodman Sakai, Tokyo, Japan.

ALIGNED INTERESTS

Goodman's Long-Term Incentive Plan motivates our people and focuses on aligning their interests with those of our customers and Securityholders. Broadly, our remuneration structures are aimed at enhancing loyalty. We make space for our people to reach their potential and build the career they're capable of.

THE

As the founder and Chief Executive Officer of food rescue enterprise, KiwiHarvest, Deborah Manning believes access to nutritious food is a human right. In 2014, with support from Goodman, Deborah set up KiwiHarvest, a social enterprise that has grown to deliver 170,000 meals a month to charities and social service agencies in New Zealand.

CHANGEMAKER

Deborah Manning, Chief Executive Officer, KiwiHarvest.

Goodman volunteers supporting KiwiHarvest.

KiwiHarvest has used Goodman's long-term commitment to generate measurable social and environmental change.

Like its Australian counterpart, OzHarvest, KiwiHarvest has used Goodman's long-term commitment to generate measurable social and environmental change. Each dollar invested blooms NZ$5.16 in social return on investment. The enterprise has delivered 5.5 million meals and saved 1.7 million kilos of food from landfill since inception.

For these reasons, Goodman is proud to support KiwiHarvest as a key charity partner. Deborah explains the organisation's journey and how Goodman has contributed to its success in nourishing those in need.

Bringing KiwiHarvest to life
My background is in healthcare and law. The common thread in everything I did was people. I genuinely wanted to leave the world a better place for my children and grandchildren.

One day I read about kids going to school hungry and another story about 'dumpster divers'. It was a real 'ah-ha' moment. I began to learn about global food rescue organisations and, in 2012 in Dunedin, I set up a company called FoodShare.

I'd take day-old bread, and other supplies, to food banks in my car. Eventually, the car got so full of food I couldn't see out the back window. My local car dealer donated a van.

I found out Goodman had supported OzHarvest in Australia for more than 10 years and was seeking a similar cause in New Zealand, so I pitched to them. Goodman backed me in merging FoodShare with KiwiHarvest and has been very supportive ever since.

Challenges on the way
At first, food businesses were worried they'd be liable. In reality, there are protections for food donors, so I reassured them of that. Some concerns lingered, so communication was key. Our brand was crucial, too, and our robust food handling processes made sure both were protected.

The other big challenge was financial. Like any rapidly growing social enterprise, we had to balance our social purpose with the bottom line.

As our founding partner, Goodman purpose-built our headquarters and storage facility in Auckland from shipping containers. We needed lots of freezers and chillers for food. Goodman liaised with its contractors to make it happen in an environmentally friendly way: the materials, the energy and the planning.

Since then, Goodman has made significant annual donations so our operations can grow. We now have seven refrigerator trucks and five branches around New Zealand.

The right people
The social enterprise journey is never a straight line. You have to be open to ideas and ready to make changes. Goodman's support has allowed us to thrive, take on challenges and grab opportunities.

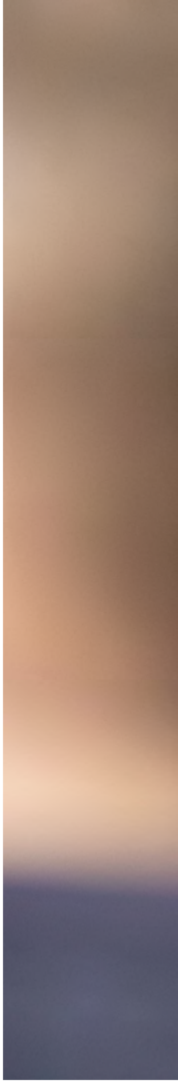
From there, it's good people in your organisation that make those ideas work. I thought very carefully about the skills I needed on the board, for example. We have 17 staff, though we can't pay big salaries.

This financial year, we had around 5,000 hours volunteered. We take care of our volunteers not only because they bring irreplaceable value to the business but also because they take our message into the community. Every volunteer and employee is a brand ambassador for KiwiHarvest.

Behind the scenes
We don't give food face-to-face; we give it to 220 charities and community groups across New Zealand that run food support programmes. Even so, we hear such heart-warming stories, like parents saying: "It's so nice to put fresh fruit in our children's lunch boxes".

Children often miss school if they have no food to take. Recognising this, some schools offer food support programmes and come to us for help. If families are identified as being in need, some schools will deliver to their homes. It's crucial to maintain respect and dignity for everyone, always.

It's crucial to maintain respect and dignity for everyone, always.



Space for greatness
When I consider how Goodman makes space for greatness for us, the words are 'generosity' and 'the big picture'. They understand the issues facing people and the planet. They want to address issues and effect change.

KiwiHarvest doesn't want to stand still on the war on food waste and Goodman sees that. But sometimes our growth is so fast we can barely keep up. No matter how fast it is, Goodman supports, encourages and enables us.

We're working with the Goodman team now on moving to a new property in Auckland. It's wonderful to have a supporter that doesn't see a problem but instead sees how to fix it.

Like us, Goodman believes that alleviating food waste to help solve food security is a no brainer. They also want to see demonstrable outcomes for their donated dollars and have appreciated our ability to show that.

KiwiHarvest wouldn't be where we are today without Goodman's support. They've been with us all the way. Our success is thanks to them.

E-COMMERCE IS THE FASTEST GROWING SALES CHANNEL. IT'S ALL

ABOUT PERSONALISATION, CONVENIENCE, FLEXIBILITY AND SPEED.

Source: Business Insider, 2017.

PEOPLE PLANET AND PERFOR

At Goodman, we believe our performance is not only measured by our bottom line but also by our long-term contribution to our stakeholders and to the environment.

,

We give our customers the space they need to succeed, by providing unparalleled service and sustainable solutions in high-quality locations.

We give our people the space they need to grow and push us all a little further. We care about the planet's future and the people in it. We believe sustainability is our responsibility and we choose to work with people and organisations that feel the same.

MANCE

PEOPLE

We don't believe in good. Or good enough. We don't believe in the short-term or taking short cuts. We don't believe in putting business before people or anything before quality.

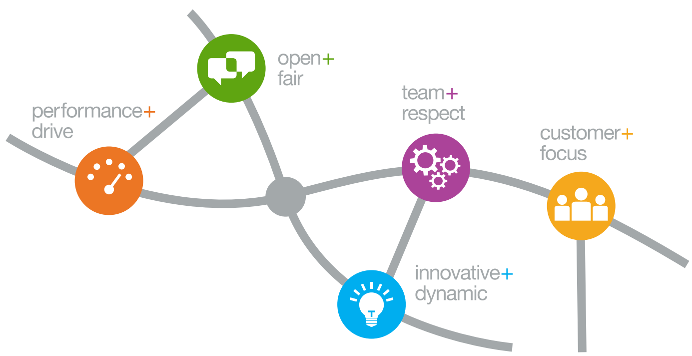
Next to our properties, people are our greatest asset. Every day, it's our people who initiate, build and nurture the long-term relationships with our stakeholders that are integral to our sustainable growth.


MARITIME BOARDROOM

For our teams to deliver to the highest standards, we provide an environment that encourages collaboration, innovation, efficiency and long-term decision making.

Good to great
In recent years, Goodman rolled out an internal programme to help take us from being a good company to becoming a great one. The goal is for all of our people across the 17 countries to understand how to:

+ Deliver to the highest standard
+ Work as part of a team that is focused on the customer
+ Consistently adhere to our values
+ Deliver exceptional customer service
+ Help to build a sustainable business for all our stakeholders
+ Avoid complacency and keep excelling.



For our teams to deliver to the highest standards, we provide an environment that encourages collaboration, innovation, efficiency and long-term decision-making.

We're serious about the health, wellbeing and development of our people, and provide local programmes which promote workplace health and safety, learning and development, and social activities.

Our flexible work practices make space for the greatness of our people, empowering them to manage their own priorities while delivering for our stakeholders.

Space to collaborate

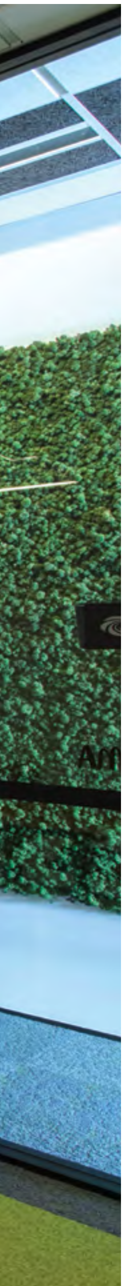
Most of our offices are now designed for activity-based working. This layout style frees our people from the constraints of a single fixed desk and offers them a variety of settings to work. The transformational design has led to improved wellbeing and overall team satisfaction as well as:

- Greater collaboration, innovation and flexibility
- Reduced power and paper usage
- More creativity and team-based work
- Better communication and less formality so decisions are made faster.

The transformational design has led to improved wellbeing and overall team satisfaction.

Goodman office, Auckland, New Zealand.

Goodman office, Auckland, New Zealand.



Setting the benchmark high

Goodman's new Auckland city office was developed with a commitment to corporate social responsibility. The office sets a high benchmark for refurbished business space.

It is expected to receive a 5 Star Green Star Office Interior rating and features high-quality materials selected for their functionality, longevity and energy efficiency.

The new office uses half the energy of the previous office, and team satisfaction and wellbeing have increased due to activity-based working, better spaces and a wider range of end-of-trip and recreational facilities.

The meeting rooms were given Māori names with the office also blessed prior to moving in. The use of Te Reo (the Māori language) and the training that staff received in its use and protocols reflect New Zealand's unique heritage and are consistent with a business acknowledging the diversity of its population.

Meanwhile, around 90% of waste building materials were recycled, including used furniture and equipment. This minimised landfill waste and the proceeds from the goods sold were directed to the Goodman Foundation.

While it was a complex project, with a challenging budget and deadline, the result was a great outcome for our New Zealand team members.

Our customers

Our customers are at the centre of our own+develop+manage business model.

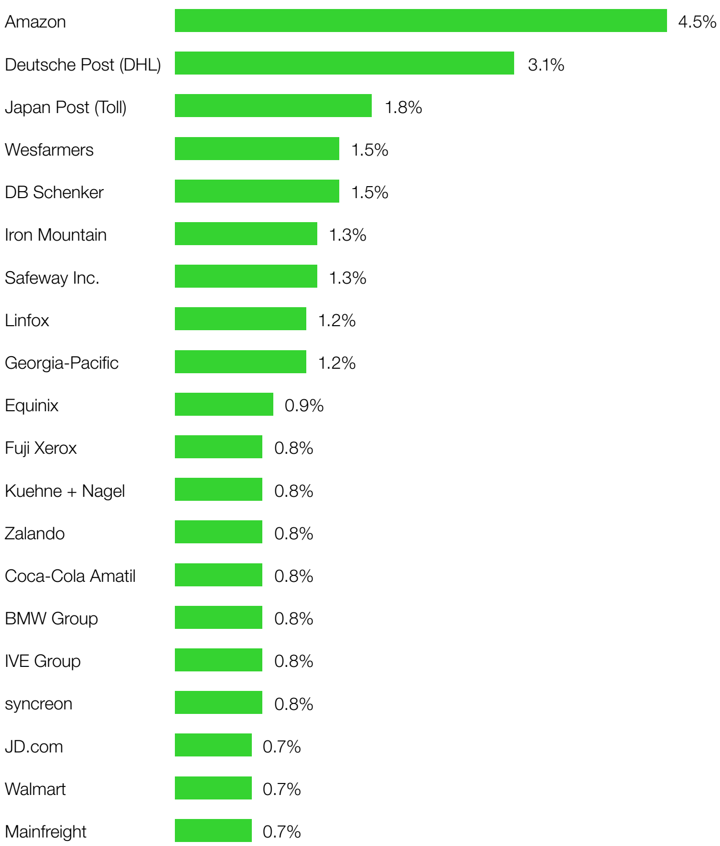
We work closely with them to understand their needs and build strong relationships. All customers have direct access to a dedicated team trained to manage their requirements.

We use customer feedback to constantly improve our service. We conduct global customer research to enable us to meet expectations and, if our performance slips, we'll correct it.

Our customers are leveraging our global experience to expand their business across borders. We're increasingly working with them to source warehousing solutions in multiple markets. Sixty-five percent of our top twenty customers now have Goodman properties in more than one country. This is a trend we expect to grow among our 1,600+ customer base.

TOP 20 CUSTOMERS

(by net income – look through basis)



Goodman Kunshan North Park, Greater Shanghai, China.

Our community

The Goodman Foundation believes in giving back in tangible ways to the communities where we operate. We focus on social change through improving the quality of life of those less privileged.

SPACE FOR CHILDREN'S HEALTH AND SAFETY

Goodman is passionate about ensuring the health, safety and wellbeing of children. We support many charities around the world focused on this cause including the Cerebral Palsy Alliance (CPA), SOS Children's Villages, Stepping Stone House, Little Olive Foundation, The Shepherd Centre, Raise Foundation and Humpty Dumpty Foundation. Our support ranges from providing physical space, supporting operations and purchasing equipment, to our people volunteering, mentoring and providing other help.

RESEARCH SUCCESSES SINCE GOODMAN'S INVOLVEMENT HAVE SEEN THE RATE OF CEREBRAL PALSY FALL FROM 1/400 TO 1/600 BIRTHS.

CPA provides family-centred therapies, life skills programmes, equipment and support for people and their families living with cerebral palsy and other neurological and physical disabilities. It drives international research into the prevention, treatment and cure of cerebral palsy through the Cerebral Palsy Alliance Research Foundation.

Goodman has supported CPA and the Cerebral Palsy Alliance Research Foundation to become one of the leading independent funders of cerebral palsy research globally, funding over $36 million in research grants across 300 projects in the past 12 years. Goodman is the exclusive global partner of CPA's major fundraiser, Steptember.

SUPPORTING HEALTH AND WELLBEING

Goodman is the Founding Partner of The Fred Hollows Foundation in Hong Kong and funds eye care projects.

GOODMAN HAS FUNDED THE XINGTANG PROJECT WHICH HAS SCREENED 112,736 PEOPLE, TRAINED 805 DOCTORS IN EYE CARE COURSES, PROVIDED 440 SCREENING KITS AND TRAINED ONE CATARACT SURGEON AND TWO NURSES TO PERFORM CATARACT SURGERY.

The Fred Hollows Foundation provides sustainable eye care services for rural, poor and ethnic minority communities around the world.

Goodman has funded two projects in China to build eye health screening and education systems. The first, completed in February 2018, in Xingtang, Hebei, has been extended for a further 12 months.

TOWARDS ZERO HUNGER

Goodman provides warehouse space, vehicles and equipment, and our teams volunteer and raise funds to support organisations that reduce hunger and food wastage, including OzHarvest, KiwiHarvest, UKHarvest, Feeding Hong Kong and Second Harvest Foodbank of Orange County, USA.

WITHOUT GOODMAN'S SUPPORT, OZHARVEST COULD NOT HAVE DELIVERED ALMOST 100 MILLION MEALS, HELPED 1,000 CHARITIES AND SAVED 31,000 TONNES OF FOOD FROM LANDFILL.

OzHarvest collects quality excess food from commercial outlets and delivers it to more than 1,000 charities supporting people in need.

MAKING SPACE FOR RESPONSIBLE CONSUMPTION

Goodman supports charities such as Thread Together and Good360 Australia, which redirect excess goods to charities while reducing waste.

GOODMAN HAS HELPED ENABLE GOOD360 AUSTRALIA TO COLLECT MORE THAN $50 MILLION IN BRAND NEW GOODS TO BE REDISTRIBUTED TO OVER 800 CHARITIES.

Good360 Australia connects surplus brand new goods from businesses, such as clothes, toys, school and office supplies, personal care and household goods to charities and Australians who need them, while improving environmental outcomes. This amounts to over 3.6 million items from microwaves to toiletries and nappies. It has distributed more than $22.3 million in critical goods to people in need in Australia, which also has a huge environmental impact as these products are saved from landfill.

Goodman's support with property space saved millions of dollars for Good360 Australia so it could use those resources for core programmes. The charity also uses the Goodman supplied warehouse to run traineeships for the long-term unemployed.

Highbrook Business Park, Auckland, New Zealand.

PLANET

Sustainability is about more than being green. It's about building a sustainable business for the future. We do this through long-term decision-making designed to have positive economic, environmental and social outcomes.

Key to this is our responsibility to keep challenging ourselves to improve our impact on the planet – both in our daily operations and in how we develop and manage our properties.

This section highlights some of the significant aspects of Goodman's sustainability strategy and performance in FY18. More details are available in the Goodman Annual Report.

Our sustainability strategy
Goodman's sustainability strategy is designed to make a positive long-term impact and covers the following four target areas:

1. Sustainable development – continuous sustainability improvement in our developments through innovation and helping our customers evaluate and incorporate sustainable design initiatives

2. Asset management – managing and investing in our assets to improve efficiency, long-term competitiveness and resilience

3. Corporate performance – measuring our impact, improving our overall performance, managing our compliance obligations and engaging regularly with key stakeholders

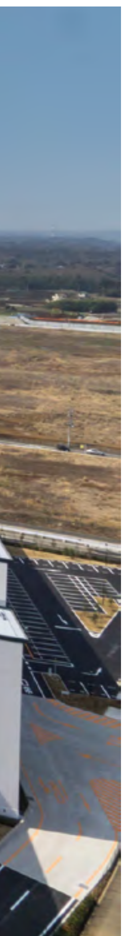
4. People and community – inspiring and challenging our people, promoting safe workplaces and supporting community groups and charities through the Goodman Foundation.

In this section, we focus on the first two target areas, particularly on how we are developing and managing assets sustainably. More information on target areas three and four is in the 'People' section on page 058.

Goodman Australia Industrial Partnership and Goodman Japan Core Partnership were FY18 GRESB sector leaders.

Goodman Business Park, Tokyo, Japan.

Goodman office, Melbourne, Australia.



UN Sustainable Development Goals (UNSDGs)
The UNSDGs are a global blueprint for organisations to address the world's most significant development challenges. They call for collaboration to end poverty, protect the planet and create a sustainable future for all.

We understand our role in a global sustainable future and as part of our annual strategy review and planning process we reviewed how these goals aligned with our own sustainability strategy. We found 8 of the 17 UNSDGs were relevant to our business. Significant progress on our sustainability targets was made this year.

Benchmarking our performance
Goodman Group and several of our Investment Partnerships participate in the Global Real Estate Sustainability Benchmark (GRESB) survey to continuously review our performance.

We have succeeded in achieving consistently high scores and in 2018, all previously participating Goodman entities achieved 3 star Green Star status or above, while two Partnerships were ranked first in their respective peer groups.

In addition, Goodman uses a proprietary sustainability assessment tool for its industrial assets, the Goodman Sustainability Snapshot, which is widely used in Continental Europe and more recently in Australia.

Material issues
In the last six years, Goodman identified and refined a set of material issues fundamental to building long-term value and sustainable performance. We needed these issues to reflect not only our own principles but also our stakeholders' input.

Sustainable development

Properties built smarter are ready for the challenges of tomorrow. We are committed to high quality, reducing costs over a building's life cycle and using best practice sustainable techniques and materials. We design and build our properties with the planet in mind.

MATERIAL ISSUES

Flexible and adaptable properties

Smart energy solutions

Supply chain

Biodiversity.

GOODMAN COMMITMENTS

Develop assets that include enhanced sustainability standards that aim to meet future demands of our customers and the climate

Incorporate smart energy solutions such as renewable energy generation, LED lights and smart metering

Partner with our supply chains to create spaces using responsible materials and means

Maximise opportunities in infill locations

Operate in a manner that promotes biodiversity and enhances habitat.

SHORT-TERM TARGETS

Significant amount of new developments certified across our regions by FY19

10 MW of new solar PV projects completed or initiated by FY22.

PROGRESS IN FY18

Formally adopted a base-building specification for all global developments that offer sustainability initiatives including:

+ Strategic site selection close to infrastructure, consumers and transport
+ Renewable energy from rooftop solar PV systems
+ Translucent roof sheeting to maximise natural lighting
+ Fully automated LED lights
+ Electrical sub metering
+ Glare control
+ Low volatile organic compound materials
+ Rainwater harvesting
+ End-of-trip facilities
+ Drought tolerant native landscaping

100% of Goodman's completed developments included sustainable design initiatives

Over 7 MW of renewable energy installed or in progress in Continental Europe, Japan and Australia

Approximately 40% of industrial space now has a certified green rating in Continental Europe

All new developments in Continental Europe to have electric vehicle charging stations.

ADDRESSING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

15 LIFE ON LAND

13 CLIMATE ACTION

Clean energy progress

The Group's investment in solar energy infrastructure continues to gather momentum. Japan remains Goodman's primary region for the installation of solar PV on rooftops, with a further 3 MW installed at Goodman Business Park, Chiba in greater Tokyo, taking our installed capacity in Japan to approximately 19 MW. In Continental Europe, we now have 4 MW installed across seven projects.

In China, the 750 kW system at Goodman Qingpu Centre in greater Shanghai is operating successfully and presents a model for several projects in planning, including a proposal for several small vertical installations on the external walls at Goodman Pudong International Airport Logistics Park.

In Australia, we are incorporating smaller systems as part of the base-building specification for the majority of new developments and beginning to retrofit solar on some existing buildings as opportunities arise.

Asset management

Our ability to manage assets through their lifecycle improves their long-term environmental and financial performance. We take a strategic view of each asset and define a clear management plan driven by location, age, capex requirements and functionality. Through this approach, we can maximise the value of our portfolio to keep meeting the needs of customers into the future.

MATERIAL ISSUES

Customer relationships

Resilient portfolio

Monitoring efficiency

Reducing waste.

GOODMAN COMMITMENTS

Manage a high-quality portfolio, prioritising energy and water efficiency

Manage assets while considering their current and future climate exposures

Offer superior customer service with lease clauses that aim to reduce energy and water use

Partner with our supply chain providers to promote on-site waste management and provide recycling opportunities.

SHORT-TERM TARGETS

1 MW of solar PV installed or initiated globally on stabilised assets in FY19

An additional one million sqm of space upgraded to LED lighting by FY22.

PROGRESS IN FY18

LED lighting upgrades across the stabilised portfolios in Australia, Continental Europe, Hong Kong and Greater China

+ Approximately 87% of common areas now use LED lights, reducing energy consumption by up to 60% for our China properties

Climate Vulnerability Assessment undertaken in Australia

6% reduction in energy consumption across Goodman's Australian office portfolio using the Buildings Alive system

Sydney corporate office achieved a 5 Star NABERS energy rating

Water usage measures and landscaping across our China properties include the re-use of rainwater, replacement of large lawns with native hedges and the use of vertical gardens to improve amenity

Green lease clauses encouraged customers and Goodman to collaborate sustainably. At least one green lease clause was included in 79% of the leases signed in Continental Europe, while 63% included three clauses

Simply Cups recycling scheme in the Sydney office is saving more than 2,000 take-away cups a month from landfill

We contributed to major reductions in food waste and landfill through our support of food rescue charities.

ADDRESSING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

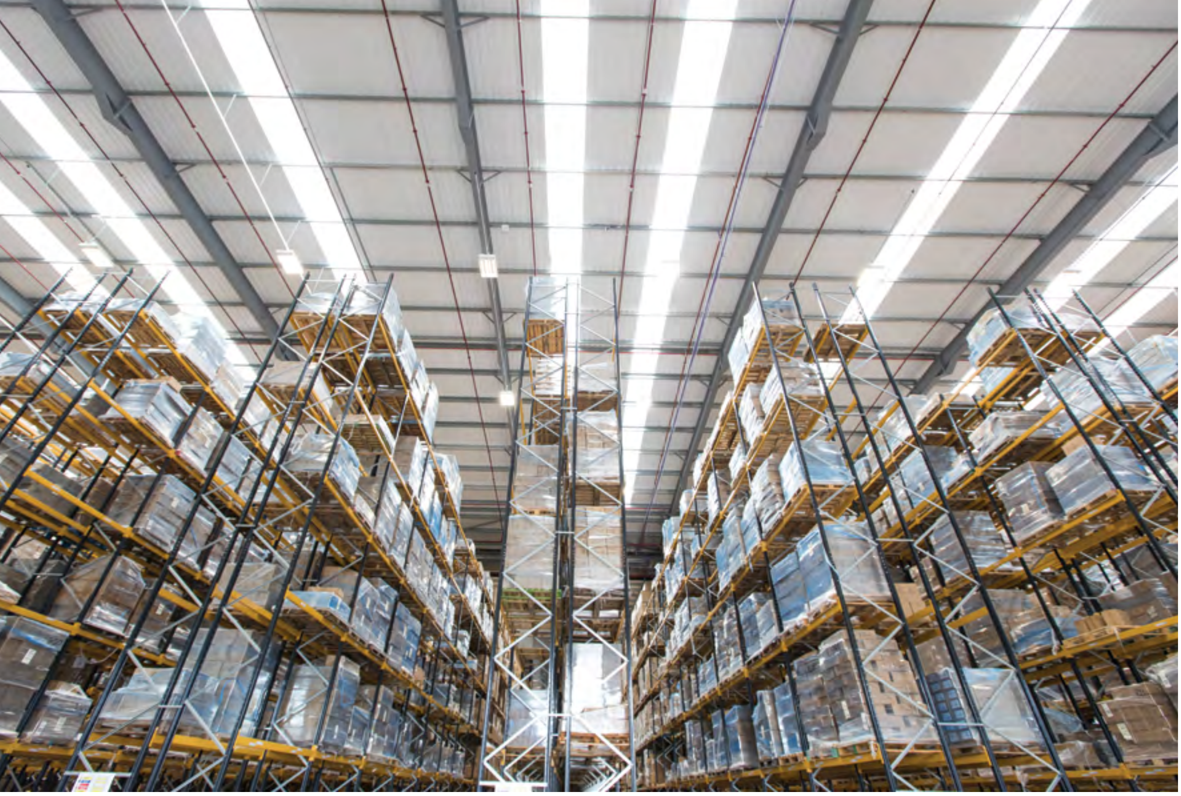
13 CLIMATE ACTION

How do we improve?
Goodman is constantly looking to innovate and incorporate proven new technology. We investigate alternatives to existing materials and processes to enhance the long-term sustainability of our properties, and reduce our impact on the planet.

Alternatives we are evaluating include:

+ Low carbon concrete products – the main element that produces carbon emissions in concrete mix, Portland cement, is significantly lower in products such as Envisia and Geopolymer Concrete. Using these can reduce emissions by an estimated 30–70%

+ Lower emission steel – products such as the carbon neutral cladding that has achieved Confidex Sustain certification which we are trialling in the UK, can reduce the carbon intensity in steel.



Skylights to improve natural lighting and LED lighting to improve energy efficiency.

Goodman Sustainability Snapshot

Goodman Sustainability Snapshot is a proprietary tool that assesses and compares the sustainability level of our buildings. The tool can be used as part of the feasibility analysis for new developments and in our detailed asset plans for our stabilised assets.

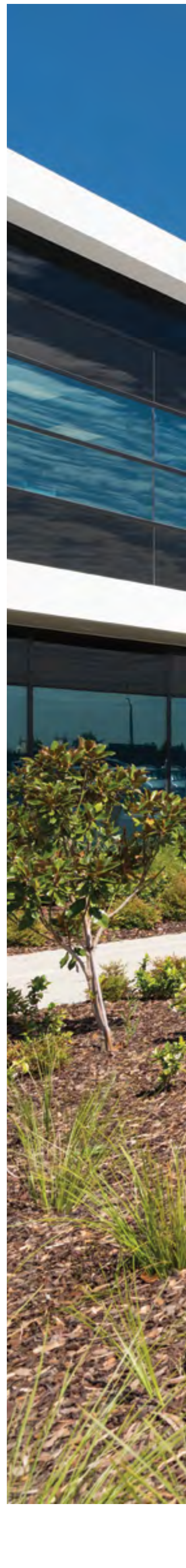
The tool helps us to:

- Identify areas with potential for sustainability improvements so we can upgrade our targets accordingly
- Improve transparency and make better investment decisions
- Improve the overall quality of our portfolio.

The tool's analysis is based on six topics (each weighted differently):

1. Green certification
2. Lighting
3. Heating, ventilation and air conditioning
4. Insulation
5. Building management system and metering
6. Features including alternative energy sources, water reuse and treatment, waste, landscaping and biodiversity, and wellbeing.

The tool, widely used in Continental Europe and more recently in Australia, is still being refined, but we're seeing some positive results. Going forward, we aim to use the insights from the Goodman Sustainability Snapshot tool to support investment in sustainability initiatives that will help improve our assets for the long-term.



Chifley Business Park, Melbourne, Australia.

PERFOR

Goodman Business Park, Tokyo, Japan.

Delivering solid financial results is critical to Goodman's long-term sustainability; however, we measure our performance by our positive impact on stakeholders and the environment as well as by the numbers.

We discuss our progress on stakeholders and the environment in the 'people' and 'planet' sections of this report. Here we give a snapshot of the Group's operational performance.

For a thorough review of our financial performance, please see the Goodman Annual Report.

MANCE


RF
3
4
5

Operational performance
The consistent implementation of our own+develop+manage strategy has delivered sustained growth across the Group for our stakeholders.

The portfolio continued to be the key driver of the strong operational result, with property fundamentals steadily improving in FY18.

OWN

98%

Occupancy

High occupancy was maintained with tight supply in the urban and infill locations we operate in around the world.

3.5 million

Square metres

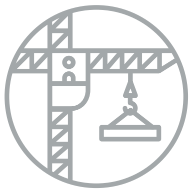
New leases globally equated to $429 million in annual rental property income across the Group and Partnerships.

$2.8 billion

Revaluation gains

By focusing on high-quality properties in locations where supply is scarce, we increased our portfolio's value.

DEVELOP



$3.6 billion

Development WIP

Our development workbook increased to 80 projects across 12 countries, with global demand driven by changes in technology.

$3.2 billion

Development commencements

Two million sqm of developments commenced this year, with 71% on behalf of Partners or third parties.

$3.5 billion

Development completions

We completed 2.2 million sqm of developments around the world with 87% leased to customers.

MANAGE

$38.3 billion

Total assets under management (AUM)

External AUM grew 15% to $35.1 billion driven by revaluation gains and development completions.

15%

Average total return of Partnerships

Continued strong performance of the Partnerships increased management earnings.

343

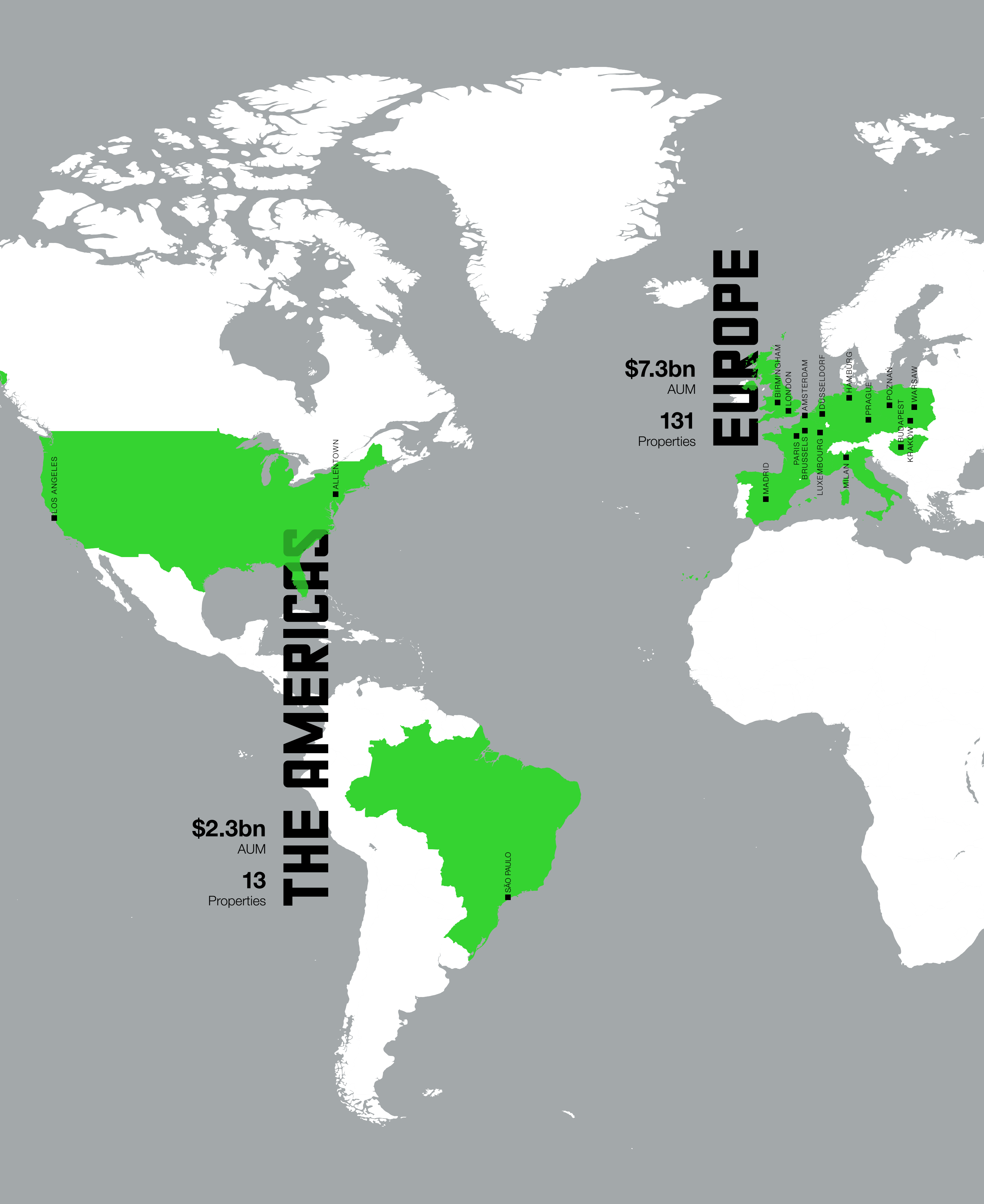
Number of properties in Partnerships

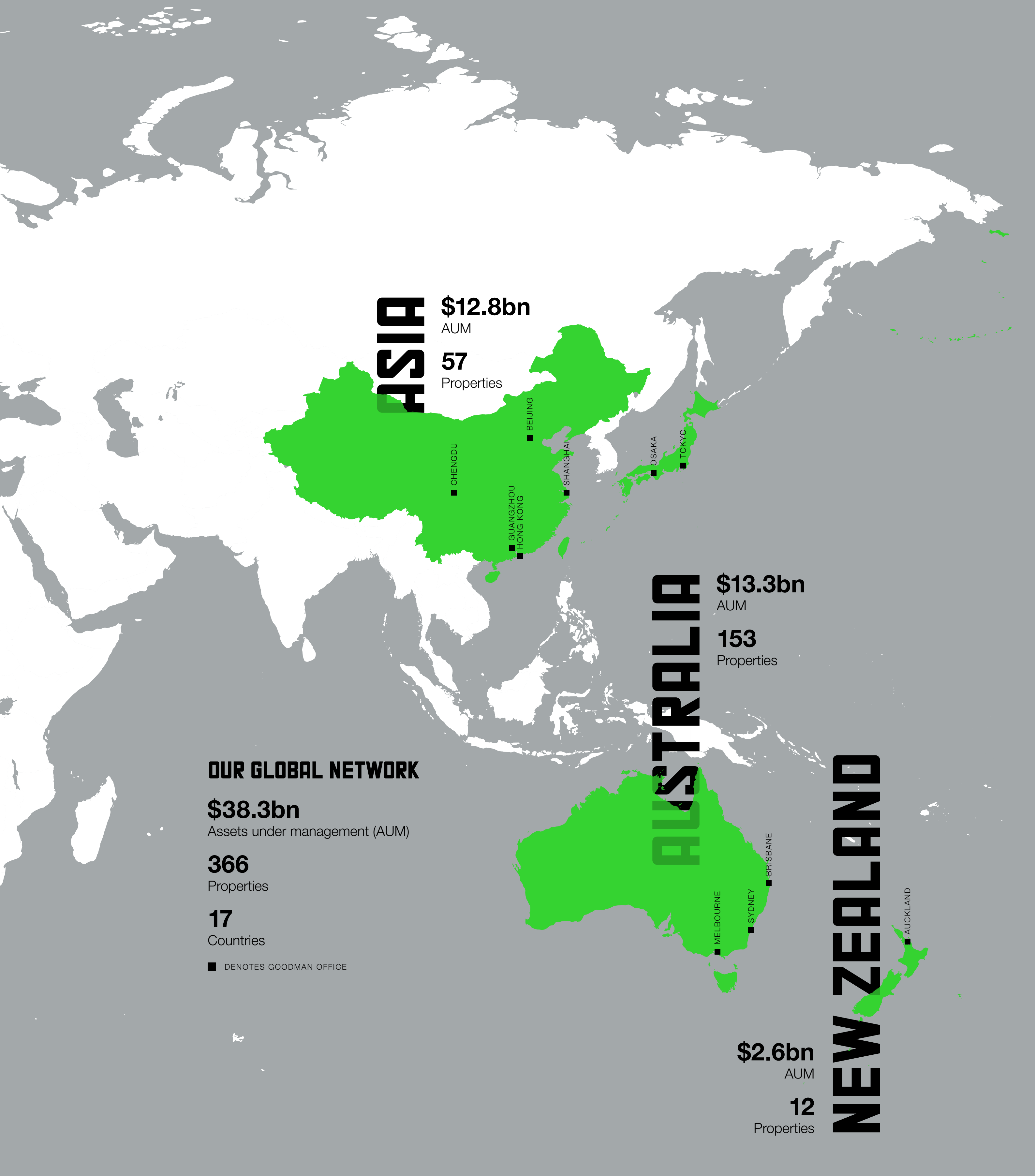
Partnerships increasingly focused on developing assets for long-term ownership.

AN ENVIRONMENT WHERE PEOPLE FEEL VALUED, INDEPENDENT

AND PART OF A TEAM WILL BE MORE IMPORTANT THAN EVER.

Source: Forbes, 2017.


THE AMERICAS
$2.3bn
AUM
13
Properties
LOS ANGELES
ALLENTOWN
SÃO PAULO
EUROPE
$7.3bn
AUM
131
Properties
MADRID
BIRMINGHAM
LONDON
PARIS
BRUSSELS
AMSTERDAM
LUXEMBOURG
DÜSSELDORF
MILAN
HAMBURG
PRAGUE
POZNAN
BUDAPEST
KRAKOW
WARSAW



OUR GLOBAL NETWORK

$38.3bn
Assets under management (AUM)

366
Properties

17
Countries

■ DENOTES GOODMAN OFFICE

FY18 HIGHLIGHTS

- Continuing growth at Goodman's flagship development precinct, Oakdale Industrial Estate. This year, nine facilities were completed across the Central and South estates
- Securing Amazon's first lease in Sydney at Centenary Distribution Centre.

Centenary Distribution Centre, Sydney, Australia.

$13.3bn
Assets under management

153
Properties

5.6m sqm
Space under management

97%
Occupancy

$470m
Development WIP

4
Managed Partnerships

>1,000
Number of customers

Oakdale Industrial Estate, Sydney, Australia.

IN GOODMAN'S HOME MARKET–AUSTRALIA, WE ARE THE LARGEST INDUSTRIAL PROPERTY COMPANY AND FOCUS ON CONTINUOUSLY INNOVATING AND SETTING THE INDUSTRY STANDARD.

Chifley Business Park South, Melbourne, Australia.

Highbrook Business Park, Auckland, New Zealand.

$2.6bn
Assets under management

12
Properties

900,000 sqm
Space under management

99%
Occupancy

$231m
Development WIP

>150
Number of customers

FY18 HIGHLIGHTS

- Completing the asset sales programme with the disposal of Central Park Corporate Centre and conditional sale of the VXV Portfolio
- Undertaking capital management initiatives including issuing a total of NZ$200 million of bonds, providing balance sheet capacity for new development and investment initiatives.

Highbrook Business Park, Auckland, New Zealand.

WE REPOSITIONED GOODMAN PROPERTY TRUST TO BE AN INDUSTRIAL SECTOR SPECIALIST TO MEET THE GROWING DEMAND FOR WAREHOUSE AND DISTRIBUTION SPACE ACROSS AUCKLAND, NEW ZEALAND.

OUR BUSINESS ACROSS ASIA HAS SEEN ASSETS UNDER MANAGEMENT GROW BY 25% OVER THE LAST YEAR AS VALUATIONS INCREASED AND HIGH-QUALITY DEVELOPMENTS COMPLETED IN GREATER CHINA AND JAPAN.

Goodman Pinghu North Logistics Centre, Greater Shanghai, China.

Tuen Mun, Hong Kong, China.

Goodman Business Park, Tokyo, Japan.

$12.8bn
Assets under management

57
Properties

4.6m sqm
Space under management

99%
Occupancy

$939m
Development WIP

5
Managed Partnerships

>300
Number of customers

FY18 HIGHLIGHTS

Greater China
- Acquiring rare strategic 32,000 sqm development site in Tuen Mun, Hong Kong
- Securing over 500,000 sqm of leasing pre-commitments for our developments in mainland China.

Japan
- Continuing 100% portfolio occupancy
- Completing 180,000 sqm of high-quality developments.

Goodman Akamatsudai, Kobe City, Japan.

Augsburg Logistics Centre, Augsburg, Germany.

$7.3bn
Assets under management

131
Properties

5m sqm
Space under management

97%
Occupancy

$1.3bn
Development WIP

4
Managed Partnerships

>150
Number of customers

Lyons 135, Lyons Park, Coventry, United Kingdom.

FY18 HIGHLIGHTS

Continental Europe

- Extending DB Schenker's 80,000 sqm facility by a further 40,000 sqm at Augsburg in Germany
- Fully leasing our latest development in Gdańsk, a key location in Poland, prior to completion
- Completing a 19,000 sqm sustainable development in Venlo, Netherlands which received a BREEAM Excellent rating
- Delivering a complex brownfield conversion for METRO in Marl, Germany. This is Goodman's biggest logistics property development in Europe at 235,000 sqm.

UK

- Finalising the sale of Arlington Business Parks Partnership enabling the UK business to focus on industrial property
- Completing a 466,000 sq ft internal cross-docked distribution centre for Amazon at Lyons Park in Coventry.

OUR BUSINESS IN CONTINENTAL EUROPE CONTINUED TO PUSH THE BOUNDARIES AND DELIVER INNOVATIVE DEVELOPMENT PROJECTS FOR OUR CUSTOMERS, WHILE IN THE UK, OUR TEAM REPOSITIONED THE BUSINESS TO FOCUS PURELY ON INDUSTRIAL PROPERTY.

Northampton Commercial Park, Northampton, United Kingdom.

$2.3bn
Assets under management

13
Properties

1.1m sqm
Space under management

93%
Occupancy

$681m
Development WIP

2
Managed Partnerships

>30
Number of customers

Goodman Logistics Center Carlisle, Pennsylvania, USA.

OUR BUSINESS IN THE AMERICAS CONTINUES TO GROW WITH DEVELOPMENT COMPLETIONS IN THE REGION ACCOUNTING FOR A QUARTER OF THE GROUP'S TOTAL.

Goodman Commerce Center Eastvale, Los Angeles, USA.

Goodman ABCD1, São Paulo, Brazil.

FY18 HIGHLIGHTS

US

- Development of 4.5 million s.f. of Class A product in the Inland Empire, Greater Los Angeles and Central Pennsylvania markets
- Pre-leased over one million s.f. in Central Pennsylvania.

Brazil

- Launched US$700 million (BRL2.5 billion) Goodman Brazil Logistics Partnership to invest in prime logistics and real estate assets in the key gateway cities of São Paulo and Rio de Janeiro
- Developed 27,000 m^2 of high-quality industrial space at Goodman ABCD1, located 20 km from São Paulo city.

Mr Ian Ferrier, AM
Independent Chairman,
Appointed 1 September 2003

Mr Gregory Goodman
Group Chief Executive Officer,
Appointed 7 August 1998

BOARD OF

Mr Stephen Johns
Independent Director,
Appointed 1 January 2017

Ms Rebecca McGrath
Independent Director,
Appointed 3 April 2012

Mr Danny Peeters
Executive Director, Corporate,
Appointed 1 January 2013

Ms Penny Winn
Independent Director,
Appointed 1 February 2018

Mr Jim Sloman, OAM
Independent Director,
Appointed 1 February 2006

Mr Phillip Pryke
Independent Director,
Appointed 13 October 2010

DIRECTORS

Mr Anthony Rozic
Deputy Chief Executive Officer and
Chief Executive Officer, North America,
Appointed 1 January 2013

Company Secretary
Mr Carl Bicego
Appointed 24 October 2006

FIVE YEAR FINANCIAL SUMMARY

	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
INCOME STATEMENT					
Gross property income	207.7	206.1	204.6	177.1	150.4
Management income	205.5	215.3	259.3	266.3	316.5
Development income	767.6	763.7	1,250.4	1,207.1	1,115.8
Distributions from investments	2.0	–	–	–	–
Net gain/(loss) on disposals of assets	2.4	41.5	(26.7)	129.1	108.1
Net gain from fair value adjustments on investment properties	48.6	515.9	327.8	180.9	71.1
Share of net results of equity accounted investments	445.2	614.1	928.6	587.7	910.9
Total income	**1,679.0**	**2,356.6**	**2,944.0**	**2,548.2**	**2,672.8**
Property expenses	(60.1)	(59.4)	(63.9)	(46.9)	(36.4)
Development expenses	(579.8)	(619.0)	(929.1)	(919.9)	(808.9)
Employee expenses	(132.7)	(144.8)	(172.6)	(195.9)	(180.7)
Share based payments expense	(32.0)	(51.0)	(66.9)	(85.4)	(125.6)
Administrative and other expenses	(74.0)	(76.2)	(79.1)	(76.5)	(68.7)
Impairment losses	(14.4)	(28.2)	(249.1)	(93.0)	–
Net finance costs	(94.3)	(127.8)	(13.0)	(279.4)	(267.3)
Total expenses	**(987.3)**	**(1,106.4)**	**(1,573.7)**	**(1,697.0)**	**(1,487.6)**
Profit before income tax	691.7	1,250.2	1,370.3	851.2	1,185.2
Income tax expense	(13.0)	(21.0)	(75.6)	(54.4)	(82.4)
Profit for the year	**678.7**	**1,229.2**	**1,294.7**	**796.8**	**1,102.8**
Profit attributable to other non-controlling interests	(21.4)	(21.2)	(20.1)	(18.7)	(4.6)
Profit attributable to Securityholders	**657.3**	**1,208.0**	**1,274.6**	**778.1**	**1,098.2**
OPERATING PROFIT RECONCILIATION (NON-IFRS)					
Operating profit available for distribution	**601.1**	**653.5**	**714.5**	**776.0**	**845.9**
Adjustments for:					
Property valuation related movements	172.4	709.7	614.4	397.6	639.0
Fair value adjustments and unrealised foreign currency exchange movements related to liability management	(78.4)	(99.8)	81.5	(243.8)	(174.4)
Other non-cash adjustments or non-recurring items	(37.8)	(55.4)	(135.8)	(151.7)	(212.3)
Profit attributable to Securityholders	**657.3**	**1,208.0**	**1,274.6**	**778.1**	**1,098.2**
Operating profit per stapled security (cents)[1]	**34.8**	**37.2**	**40.1**	**43.1**	**46.7**
Dividends/distributions per security (cents)	**20.7**	**22.2**	**24.0**	**25.9**	**28.0**

1. Fully diluted for performance rights.

	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
STATEMENT OF FINANCIAL POSITION					
Cash and receivables	780.8	1,137.0	1,774.5	2,681.9	3,088.7
Property assets	3,663.0	4,337.7	4,096.5	3,245.7	2,732.6
Equity accounted investments	3,855.6	4,508.8	5,348.1	5,522.7	6,585.5
Intangible assets	932.7	976.4	780.6	771.9	816.7
Other (including derivative financial instruments)	171.8	302.4	387.4	489.0	235.9
Total assets	**9,403.9**	**11,262.3**	**12,387.1**	**12,711.2**	**13,459.4**
Payables and provisions	656.8	732.0	747.4	866.6	918.4
Interest bearing liabilities	2,160.5	2,707.9	2,865.2	2,878.3	3,081.5
Other (including derivative financial instruments)	356.2	446.3	381.2	344.1	285.8
Total liabilities	**3,173.5**	**3,886.2**	**3,993.8**	**4,089.0**	**4,285.7**
Net assets	**6,230.4**	**7,376.1**	**8,393.3**	**8,622.2**	**9,173.7**
Comprising:					
Net assets attributable to Securityholders	5,904.6	7,050.3	8,067.5	8,296.4	9,173.7
Net assets attributable to other non-controlling interests	325.8	325.8	325.8	325.8	–
Net tangible assets per security ($)	2.88	3.46	4.10	4.21	4.64
Gearing ratio (%)	19.5	17.3	11.8	5.9	5.1
STATEMENT OF CHANGES IN EQUITY					
Total equity at the beginning of the year	5,835.7	6,230.4	7,376.1	8,393.3	8,622.2
Total comprehensive income	797.4	1,429.2	1,298.5	678.2	1,304.9
	6,633.1	**7,659.6**	**8,674.6**	**9,071.5**	**9,927.1**
Contributions of equity, net of transaction costs	42.1	89.3	95.5	–	–
Distributions provided or paid	(445.4)	(388.3)	(408.0)	(481.2)	(504.2)
Other transactions with equity holders	27.7	36.7	51.3	62.5	82.4
Movements in other non-controlling interests	(27.1)	(21.2)	(20.1)	(30.6)	(331.6)
Total equity at the end of the year	**6,230.4**	**7,376.1**	**8,393.3**	**8,622.2**	**9,173.7**
CASH FLOW STATEMENT					
Net cash provided by operating activities	404.4	654.7	830.1	586.4	1,161.2
Net cash (used in)/provided by investing activities	(228.5)	(147.8)	160.0	730.0	(26.5)
Net cash used in financing activities	(461.4)	(120.3)	(399.6)	(556.3)	(799.2)
Net (decrease)/increase in cash held	**(285.5)**	**386.6**	**590.5**	**760.1**	**335.5**
Cash at the beginning of the year	645.4	359.9	746.5	1,337.0	2,095.1
Effect of exchange rate fluctuations on cash held	–	–	–	(2.0)	(23.8)
Cash at the end of the year	**359.9**	**746.5**	**1,337.0**	**2,095.1**	**2,406.8**

SECURITIES INFORMATION

Top 20 Securityholders As at 5 September 2018	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	690,868,171	38.09
2. J P Morgan Nominees Australia Limited	579,428,602	31.94
3. Citicorp Nominees Pty Limited	138,477,298	7.63
4. National Nominees Limited	77,355,758	4.26
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	52,717,350	2.91
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	31,787,417	1.75
7. BNP Paribas Noms Pty Ltd <DRP>	29,280,790	1.61
8. Beeside Pty Limited	16,923,077	0.93
9. Trison Investments Pty Ltd	14,870,973	0.82
10. AMP Life Limited	12,192,285	0.67
11. BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	5,287,500	0.29
12. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	4,265,873	0.24
13. Bond Street Custodians Limited <ENH Property Securities A/C>	4,047,618	0.22
14. Trison Investments Pty Ltd	3,750,000	0.21
15. HSBC Custody Nominees (Australia) Limited <A/C 2>	3,222,985	0.18
16. BNP Paribas Noms (NZ) LTD <DRP>	3,123,553	0.17
17. Australian Foundation Investment Company Limited	2,800,000	0.15
18. National Nominees Limited <N A/C>	2,425,000	0.13
19. DPCON BVBA	2,241,385	0.12
20. IOOF Investment Management Limited <IPS Super A/C>	1,774,558	0.10
Securities held by top 20 Securityholders	1,676,840,193	92.44
Balance of securities held	137,041,802	7.56
Total issued securities	**1,813,881,995**	**100.00**

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1–1,000	9,749	4,669,536	0.26
1,001–5,000	12,509	30,038,863	1.66
5,001–10,000	2,919	20,615,924	1.14
10,001–100,000	1,704	36,563,430	2.02
100,001–over	117	1,721,994,242	94.93
Rounding			-0.01
Total	**26,998**	**1,813,881,995**	**100.00**

There were 616 Securityholders with less than a marketable parcel in relation to 4,015 securities as at 5 September 2018.

Substantial Securityholders[1]	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
BlackRock Group	147,689,591
Vanguard Group Inc.	144,760,798

1. In accordance with latest Substantial Securityholder Notices as at 5 September 2018.

Goodman Logistics (HK) Limited CHESS Depository Interests

ASX reserves the right (but without limiting its absolute discretion) to remove Goodman Logistics (HK) Limited, Goodman Limited and Goodman Industrial Trust from the official list of the ASX if a CHESS Depository Interest (CDI) referencing an ordinary share in Goodman Logistics (HK) Limited, a share in Goodman Limited or a unit in Goodman Industrial Trust cease to be stapled, or any new securities are issued by Goodman Logistics (HK) Limited, Goodman Limited or Goodman Industrial Trust and are not (or CDIs in respect of them are not) stapled to equivalent securities in the Goodman Group.

Voting rights

On a show of hands at a general meeting of Goodman Limited or Goodman Industrial Trust, every person present who is an eligible Securityholder shall have one vote and on a poll, every person present who is an eligible Securityholder shall have one vote for each Goodman Limited share and one vote for each dollar value of Goodman Industrial Trust units that the eligible Securityholder holds or represents (as the case may be). At a general meeting of Goodman Logistics (HK) Limited, all resolutions will be determined by poll, and eligible Securityholders will be able to direct Chess Depositary Nominees Pty Limited to cast one vote for each Chess Depositary Instrument (referencing a Goodman Logistics (HK) Limited share) that the eligible Securityholder holds or represents (as the case may be).

On-market buy-back

There is no current on-market buy-back.

CORPORATE DIRECTORY

GOODMAN GROUP

Goodman Limited
ABN 69 000 123 071
Goodman Industrial Trust
ARSN 091 213 839
Responsible Entity
Goodman Funds Management Limited
ABN 48 067 796 641
AFSL Number 223621
Goodman Logistics (HK) Limited
Company No. 1700359 ARBN 155 911 149

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Beijing	Kraków	Prague
Birmingham	London	São Paulo
Brisbane	Los Angeles	Shanghai
Brussels	Luxembourg	Sydney
Budapest	Madrid	Tokyo
Chengdu	Melbourne	Warsaw
Düsseldorf	Milan	

DIRECTORS

GOODMAN LIMITED AND GOODMAN FUNDS MANAGEMENT LIMITED

Mr Ian Ferrier AM
Independent Chairman
Mr Gregory Goodman
Group Chief Executive Officer
Mr Stephen Johns
Independent Director
Ms Rebecca McGrath
Independent Director
Mr Danny Peeters
Executive Director
Mr Phillip Pryke
Independent Director
Mr Anthony Rozic
Executive Director
Mr Jim Sloman, OAM
Independent Director
Ms Penny Winn
Independent Director

COMPANY SECRETARY

Mr Carl Bicego

GOODMAN LOGISTICS (HK) LIMITED

Mr Ian Ferrier AM
Independent Chairman
Mr David Collins
Independent Director
Mr Danny Peeters
Executive Director

COMPANY SECRETARY

Goodman Secretarial Asia Limited

SECURITY REGISTRAR

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Email www.investorcentre.com/contact
Website www.computershare.com

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AUDITOR

KPMG
Level 38, Tower Three, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000
Australia

ASX CODE

GMG

MAKING SPACE FOR GREATNESS

AMELIA IS SIX YEARS OLD AND PART OF GENERATION Z. SHE LIVES WITH HER PARENTS 25 MINUTES FROM THE CITY CENTRE AND IS GROWING UP IN AN ON-DEMAND ERA WHERE MOST NEEDS AND DESIRES ARE ABLE TO BE MET 24/7.

GOODMAN GROUP ANNUAL REPORT 2018

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CONTENTS

CHAIRMAN'S LETTER
MAKING SPACE FOR SHARED SUCCESS

Goodman performed very well in FY18 and we are positive, too, about the outlook and sustainability of our operating platform. Our financial highlights include:

+ Operating profit of $845.9 million, up 9% on FY17
+ Statutory profit of $1,098.2 million
+ $639 million in property valuation gains, contributing to 10% year-on-year growth in net tangible assets to $4.64 per security
+ Operating earnings per security (EPS) of 46.7 cents, up 8.3% on FY17
+ Distribution per security (DPS) of 28.0 cents, up 8.1% on FY17
+ Maintaining a strong financial position with balance sheet gearing stable at 5.1%, down from 5.9% in FY17
+ Group liquidity at $3.4 billion
+ Total Securityholder return of 26% over one year, 69.5% over three years and 135.2% over five years.

Culture is key

These financial results directly reflect the successful execution of Goodman's long-term strategy. While the numbers are strong, I'm equally proud of the performance of our people. Goodman's culture is characterised by quality across all aspects of the business – our people, our products and our service.

In the last three years, Goodman has run an internal programme to instil the importance of the Group's values in our global team. We want everyone to understand our values and the behaviours needed to support our long-term success. Management has put significant focus across all our markets in creating the right culture and equipping our teams to act in our stakeholders' best interests.

We have scrutinised both our work culture and professional behaviour and continue to strive for strong ethics and corporate governance. We encourage a disciplined approach, with management leading by example in being transparent and modest in their dealings.

We are satisfied we're in a healthy position that supports our business long-term. Yet even so, we never lose sight of how important it is to have the right team to foster the right culture at a local and global level.

Sustaining success

Delivering on the Group's long-term strategy is contingent on creating a culture that aligns the interests of our people and our Securityholders. In a highly competitive environment, with a business reliant upon having the best people to deliver the strategy, the Group has outperformed the ASX100 largely due to its ability to motivate, focus and retain its people.

Goodman's remuneration strategy ensures the balance between fixed pay and performance-based remuneration is aligned to Securityholders' long-term interests; that is, sustainable long-term EPS growth and, ultimately, investment returns. Securityholders and Goodman team members are mutually impacted by our performance, with Securityholders' interests met before short-term incentive awards are paid or long-term incentives vest. There is significant emphasis on long-term incentives for all team members, which are at risk with a three-year testing period and vesting over three-to-five years.

Both Securityholders and our people have benefited from Goodman's sustained strong growth. In an era when employees expect companies to develop their skills as well as provide opportunities for people to share in the company's success, Goodman's global incentive scheme is a crucial offering. It offers significant performance-based rewards to all, as opposed to a few. We believe this has been a key point of difference in creating a collaborative culture focused on sustained success.

In this Annual Report, we show how we are continuing to build a sustainable business by delivering a strong financial result while striving to make a positive impact on people and the planet.

This includes supporting communities and charities in the markets we operate in, creating a culture in which our people are developing to their fullest capacity, and ensuring our buildings are energy efficient and environmentally sustainable.

Board changes

There have been some changes to the Goodman Board.

We welcome Ms Penny Winn to the Board as an Independent Director of Goodman Limited and Goodman Funds Management Limited and a member of the Risk and Compliance and Audit Committees. We also welcome Mr David Collins as an Independent Director of Goodman Logistics (HK) Limited.

After more than 12 years serving on the Board through the good and also the challenging times, Mr Jim Sloman, OAM, will be retiring. I thank him for his significant contribution to Goodman.

Thank you

I would like to acknowledge Goodman's strong and committed team for the execution of our strategy and contribution to FY18's outstanding results. The team is delivering a sustainable business into the future and I would like to thank them, our Partners, investors and our customers for their continued support.

Mr. Ian Ferrier AM
Independent Chairman

GROUP CHIEF EXECUTIVE OFFICER'S LETTER
FIT FOR PURPOSE

At Goodman, we make decisions for the long-term. Our strong performance in FY18 is due to years of long-term decision-making by our people around the world.

By taking this approach in all we do – from implementing our business strategy to selectively acquiring real estate and working with global stakeholders – we continue to build a sustainable business that can meet the expectations of our customers, Partners, investors, team members and the community, now and in the future.

Our positive results have not caused us to become complacent. We are constantly evaluating opportunities and keeping abreast of changes influenced by technology and other market drivers. To complement this, we have created an environment that enables us to be flexible and capitalise on the opportunities that will deliver on our long-term strategy.

FY18 results

Goodman produced another strong result. I'm proud of our global team, with all regions consistently executing our strategy and delivering for our customers and Investment Partners. We are in a solid position for the year ahead.

The headline numbers in this year's results reflect the positive performance of our underlying operations.

Our portfolio is of high quality and our properties around the world continue to drive our operational result. We saw property fundamentals steadily improve during the year, achieving like-for-like net property income growth of 3.2% and 98% occupancy across the portfolio.

Strong customer demand globally is driving our development workbook and we've increased work in progress to $3.6 billion across 80 projects in 12 countries. Importantly, the majority of our development work is in our Partnerships, resulting in efficient capital deployment for Goodman and enhanced returns for our Partners.

Goodman's Partnerships continued to perform strongly, with 15% average return for our Partners this year. External assets under management also grew to $35.1 billion. This was driven by $2.8 billion in revaluation gains and $3.5 billion in development completions across the Group and Partnerships.

Change equals opportunity

Our industry as well as our customers' industries, are going through transformational change, providing challenges, but opportunities too.

Advances in technology, changes in consumer behaviour, and the concentration of our portfolio in key urban centres continue to drive customer demand for industrial space, while generating positive returns for our Investment Partners.

In this evolving environment, it is essential to be proactive, understand the market and provide flexible solutions to help our customers service their customers.

Having the right property in the right location is critical to our customers' success. They want to be close to consumers and operate at maximum efficiency. That's why we're seeing greater investment in warehouses – in technology, in seeking out premium locations and in commitment to extended leases.

The year ahead

To support future returns – as well as development activity and asset growth – we'll be looking to more intensive use of Goodman's existing sites and their timely development into higher value assets.

With market conditions expected to remain favourable for FY19, the outlook across our business is positive, with:

+ forecast operating profit of $913 million – up 8% on FY18
+ forecast operating EPS of 50 cents – up 7% on FY18
+ forecast distribution of 30 cents per security – up 7% on FY18.

Long-term sustainability

While we're pleased with our positive results, we always strive to do better. We're looking beyond the financial metrics to ensure we build a sustainable business for the long-term.

We're doing this in a number of ways. We're designing the best properties in the best locations, so our customers can do even better for their customers. We're creating a workplace where our people can reach their full potential. And we're sharing our resources with the Goodman Foundation partners to support charities in their own missions.

We're not content with good at Goodman – we strive to be great. And we want our stakeholders to achieve greatness too. This couldn't be achieved without the hard work and dedication of our people around the world. I would like to sincerely thank the team and, on behalf of them, extend my gratitude to all our stakeholders for their ongoing support.

Mr. Gregory Goodman
Group Chief Executive Officer

MAKING SPACE FOR GREATNESS

Meet Amelia[1], Andrew[1], Anna[1] and Deborah. They're why we exist. They're our valued customers, our team members, and our community. They're also our future. Learn how we're making space for them to succeed.

Our stakeholders' needs are many and varied and keep evolving as the world does.

At Goodman, we develop close relationships with our stakeholders, so we can help them reach their full potential. We don't pretend to have all the answers, but we do believe we can have a lasting positive impact and make greatness a possibility for them.

To be a vital player in a world of constant change, Goodman knows it must stay open to new ways of working. We have the best people and give them space to grow and push us all a little further. We give our customers the space they need to succeed by providing unparalleled service and sustainable solutions in high-quality locations.

We care about the future of the planet and the people in it. We believe sustainability is our responsibility and we choose to work with people and organisations that feel the same. It's one of the reasons we partner with charities all over the world who are striving to make a difference to the lives of those who can't always see a way forward.

Greatness is not a singular pursuit, nor is it always easy to reach. But Goodman's vision is to make it a possibility for everyone by making space for it in everything we do.

Our first step is looking at the world through our stakeholders' eyes.

1. These characters have been created based on typical attributes or traits of our stakeholder groups.
2. Source: Statista, 2018.

THE FUTURE

Amelia

Amelia is six years old and part of Generation Z.

She lives with her parents 25 minutes from the city centre. It is likely she will keep living in, or close to, the city as she becomes an adult. Unlike her parents, who both have a car, she probably won't. In fact, she's less likely to get a driver's licence than the generations that came before. She'll opt for public transport or a ride share service of the future. By this time, too, car travel will be electric and/or driverless.

Amelia is growing up in an on-demand era where most needs and desires are able to be met 24/7. She uses a tablet or phone for education and play – every day. Her family shops online for her clothes, school equipment and toys. Amelia expects her deliveries to arrive on the same day. She understands if she has to wait until the next day but feels frustrated nevertheless.

Groceries are home delivered and, as a treat, Amelia gets her favourite pasta dish delivered from a menu she knows well from a restaurant she's never been to.

Amelia is both a digital and social native. As she gets older she will start to think about fairness and equality. She will support causes that help to address poverty and world hunger. She'll care about the environment and, as a city-dweller, about parks and green spaces because respite and clean air are vital for her physical and mental wellbeing.

When choosing where she'll work, it will be important to Amelia that her employer is purposeful and transparent. She will have grown up in an era where everyone can publish 'news', so will be sensitive to inauthentic behaviour and attitudes. As such, she will believe everyone is accountable for their actions and that corporations must address humanitarian and environmental issues.

Amelia might work in education, healthcare or science, or have a job that does not yet exist. She will want to innovate, collaborate and co-create and she won't want to advance through a company in a linear fashion. Like her baby boomer grandparents, she'll be willing to work hard but she'll want a career and a family life without compromising on either. She'll expect flexible working conditions and the ability to shape her own schedule and fulfil her role from wherever suits her best.

How Goodman supports Amelia

Urbanisation

More people are living in cities now than ever before and this number is set to grow. That's why Goodman's properties are in key urban centres where there are large populations of consumers adopting new technologies and embracing e-commerce.

E-commerce growth

In 2017, global e-commerce sales hit US$2.3 trillion[2]. This figure is expected to reach more than US$4.9 trillion in 2021[2]. E-retailers are racing to hasten deliveries of online orders and this fundamental shift is driving demand for logistics facilities in Goodman's operating markets.

Social conscience

The Goodman Foundation creates positive social change in the communities it operates in. Through its programmes, Goodman and its people contribute in tangible ways including volunteering and in-kind aid such as business space or cash grants. Positive outcomes include enabling SOS Children's Villages to carry out its work to help thousands of children in Europe, as well as supporting Feeding Hong Kong so it can deliver 3.2 million meals to those in need.

Flexible work

Goodman believes in working smart. Our people are empowered to manage their own time to balance personal commitments with our stakeholders' needs. Our commitment extends beyond formal flexible work policies to what we call flexible work practices. We provide the right tools, workspaces and technology to allow the team to work from anywhere to maximise their efficiency.

MAKING SPACE FOR GREATNESS
Continued

THE CUSTOMER

Andrew

Andrew is the Logistics and Supply Chain Director for an online fashion retailer. It delivers clothes and shoes to a global network of retail stores, as well as directly to customers.

Andrew needs the best property partner for his business. For him, it's about the right site in the right location. His business offers same and next-day delivery to customers in the region, so it's essential he finds a location close to major urban centres.

To compete, Andrew needs his supply chain at maximum efficiency, which for him means the latest technology and automation. Things move fast, so staying adaptive and flexible is crucial. He wants his property partner to help him grow, which may mean helping him to re-design his facility to update its automated sorting equipment.

Andrew needs a property partner who understands future challenges better than he does. He wants to deal with specialists who have the right locations, or land available on which to develop new facilities. He wants to feel confident his partner can manage his real estate needs so he can concentrate on his core work: distributing products to customers.

Numerous providers can offer Andrew a suitable facility but more than that, he values:

+ Great customer service – responsive, experienced and with a long-term view of working together over a number of years
+ Quality – Andrew's distributors will visit his facility, so it must have a professional presentation, be well built and be scrupulously maintained. He needs it to reflect positively on his business and motivate his workforce.

Andrew cares about the future and knows his customers do too. He wants success that's not at the expense of the planet and he knows a lot about how fashion manufacturing impacts the environment. He constantly looks for ways to embrace an ethical mindset and embed sustainable practices into projects.

His company is proud of its commitment to sustainability and social responsibility. It uses ethically sourced materials and expects its facility to manufacture sustainably. To this end, it's important the facility is energy efficient with consideration given to solar panels, LED lights and water recycling.

Andrew is cost conscious, but he doesn't want to cut corners or compromise quality. His company takes care of its people and views them as an asset. To attract top talent, he knows he needs to provide convenient transport connections and the best amenities, such as well-designed breakout zones, cafés, gyms and outdoor areas.

How Goodman supports Andrew

Faster

To compete, it's critical to get goods to consumers as quickly as possible. Goodman's properties are close to key infrastructure links such as roads, rail, ports and airports, providing rapid connectivity to a large population of consumers.

Flexible

Goodman knows there is no single way to do something, only the right way for each customer. Our team works closely with customers to understand their current and future needs. We know there are many drivers of change, so our solutions need to not only be functional, but also flexible.

Industrial property specialists

We specialise in industrial property and have over 30 years of experience. We bring global innovations to our local customers. Our team has a proven track record in delivering on all aspects of property procurement on time and customised to our customers' needs.

Sustainable

Goodman's world-class logistics spaces are sustainable, resilient and innovative. Our properties provide long-term value for our Partners, customers and communities and all our developments in FY18 included sustainable design features.

THE TEAM PLAYER

Anna

Anna is a Portfolio Manager at Goodman. In her eight years with the business, she's seen lots of change in society and at work.

When Anna started at Goodman, she sat at the same desktop computer every day and travelled from Goodman's city office to see her customers. Today, Anna prefers to work from a satellite office at a Goodman property. She's closer to her customers and can be a lot more efficient.

As a Portfolio Manager, Anna ensures her properties are managed for the long-term and are of exceptional quality. This includes the highest possible standard of maintenance, presentation and property administration. Anna also manages a team which helps her in this customer-focused role.

As a working mother with two children, efficiency and flexibility are critical. Her days are spent juggling the logistics of work and family life. Anna and her partner jointly manage school drop-offs, picks-ups and extra-curricular activities while maintaining full-time workloads.

When she's not in the office, Anna remains connected to her customers, colleagues and peers. Working standard office hours from a single location doesn't work for her – or her customers or family. She must be highly responsive and ensure processes stay seamless for colleagues and customers. For Anna, technology makes this possible, coupled with a genuinely flexible workplace.

Technological change has transformed Anna's work and personal life. She values innovation and enjoys the flexibility new technologies have delivered. She is concerned, however, by digital connectivity's impact on face-to-face time so she endeavours to see her customers in person as much as possible. She enjoys being onsite to get a hands-on sense of what makes her customers' businesses tick, and what they really need from Goodman.

To give back more broadly, she canvasses concrete opportunities to support the homeless or raise money for charity. Events such as this are great ways to spend time bonding with her team too. Fairness and equality are part of Anna's values, so she expects respect from her employer and team members, always, and works to provide the same.

Like all Goodman people globally, Anna has been fortunate to benefit from the company's success through its Long-Term Incentive Plan. The scheme makes her feel like a part-owner in the company, motivating her to work hard and take a long-term approach to her decision-making.

She understands that her success depends on the success of Goodman's customers, Partners and investors. She wants to feel she is a significant contributor and that she can continue to build a career at Goodman, so she can be confident about the future.

How Goodman supports Anna

Collaboration and efficiency

Goodman takes teamwork seriously. Our workspaces follow contemporary design practices to ensure maximum collaboration and efficiency. Our offices use activity-based working, which is adaptive to our people's diverse daily tasks, and our satellite offices and remote options allow our team to service their stakeholders in the most effective way.

High-quality

Everyone at Goodman plays a role in ensuring our properties are of the highest standard. From the quality of the location and the construction materials, to the overall appearance, all team members are responsible. Our teams are trained to notice the things that matter, and the result is consistently well-presented properties and a great working environment for our customers.

Service

We know our customers. With their help, we learn about their business to provide the best service possible. We always aim to be quick to respond to enquiries or issues and are proactive in addressing their current and future needs. The performance of all team members is measured by their customer focus.

Aligned interests

Goodman's Long-Term Incentive Plan motivates our people and focuses on aligning their interests with those of our customers and Securityholders. Broadly, our remuneration structures are aimed at enhancing loyalty. We make space for our people to reach their potential and build the career they're capable of.

Giving back

The Goodman Foundation encourages team members to give back in satisfying and tangible ways to the communities around them. Whether it's supporting the homeless or raising money for charities, the Goodman Foundation facilitates the process, and provides additional financial support.

MAKING SPACE FOR GREATNESS
Continued

THE CHANGEMAKER

Deborah Manning, KiwiHarvest

As the founder and Chief Executive Officer of food rescue enterprise, KiwiHarvest, Deborah Manning believes access to nutritious food is a human right.

In 2014, with support from Goodman, Deborah set up KiwiHarvest, a social enterprise that has grown to deliver 170,000 meals a month to charities and social service agencies in New Zealand.

Like its Australian counterpart, OzHarvest, KiwiHarvest has used Goodman's long-term commitment to generate measurable social and environmental change. Each dollar invested blooms NZ$5.16 in social return on investment. The enterprise has delivered 5.5 million meals and saved 1.7 million kilos of food from landfill since inception.

For these reasons, Goodman is proud to support KiwiHarvest as a key charity partner. Deborah explains the organisation's journey and how Goodman has contributed to its success in nourishing those in need.

Bringing KiwiHarvest to life

My background is in healthcare and law. The common thread in everything I did was people. I genuinely wanted to leave the world a better place for my children and grandchildren.

One day I read about kids going to school hungry and another story about 'dumpster divers'. It was a real 'ah-ha' moment. I began to learn about global food rescue organisations and, in 2012 in Dunedin, I set up a company called FoodShare.

I'd take day-old bread, and other supplies, to food banks in my car. Eventually, the car got so full of food I couldn't see out the back window. My local car dealer donated a van.

I found out Goodman had supported OzHarvest in Australia for more than 10 years and was seeking a similar cause in New Zealand, so I pitched to them. Goodman backed me in merging FoodShare with KiwiHarvest and has been very supportive ever since.

Challenges on the way

At first, food businesses were worried they'd be liable. In reality, there are protections for food donors, so I reassured them of that. Some concerns lingered, so communication was key. Our brand was crucial, too, and our robust food handling processes made sure both were protected.

The other big challenge was financial. Like any rapidly growing social enterprise, we had to balance our social purpose with the bottom line.

As our founding partner, Goodman purpose-built our headquarters and storage facility in Auckland from shipping containers. We needed lots of freezers and chillers for food. Goodman liaised with its contractors to make it happen in an environmentally friendly way: the materials, the energy and the planning.

Since then, Goodman has made significant annual donations so our operations can grow. We now have seven refrigerator trucks and five branches around New Zealand.

The right people

The social enterprise journey is never a straight line. You have to be open to ideas and ready to make changes. Goodman's support has allowed us to thrive, take on challenges and grab opportunities.

From there, it's good people in your organisation that make those ideas work. I thought very carefully about the skills I needed on the board, for example. We have 17 staff, though we can't pay big salaries.

This financial year, we had around 5,000 hours volunteered. We take care of our volunteers not only because they bring irreplaceable value to the business but also because they take our message into the community. Every volunteer and employee is a brand ambassador for KiwiHarvest.

Behind the scenes

We don't give food face-to-face; we give it to 220 charities and community groups across New Zealand that run food support programmes. Even so, we hear such heart-warming stories, like parents saying: "It's so nice to put fresh fruit in our children's lunch boxes".

Children often miss school if they have no food to take. Recognising this, some schools offer food support programmes and come to us for help. If families are identified as being in need, some schools will deliver to their homes. It's crucial to maintain respect and dignity for everyone, always.

Space for greatness

When I consider how Goodman makes space for greatness for us, the words are 'generosity' and 'the big picture'. They understand the issues facing people and the planet. They want to address issues and effect change.

KiwiHarvest doesn't want to stand still on the war on food waste and Goodman sees that. But sometimes our growth is so fast we can barely keep up. No matter how fast it is, Goodman supports, encourages and enables us.

We're working with the Goodman team now on moving to a new property in Auckland. It's wonderful to have a supporter that doesn't see a problem but instead sees how to fix it.

Like us, Goodman believes that alleviating food waste to help solve food security is a no brainer. They also want to see demonstrable outcomes for their donated dollars and have appreciated our ability to show that.

KiwiHarvest wouldn't be where we are today without Goodman's support. They've been with us all the way. Our success is thanks to them.

PEOPLE, PLANET AND PERFORMANCE

At Goodman, we believe our performance is not only measured by our bottom line but also by our long-term contribution to our stakeholders and to the environment.

We give our customers the space they need to succeed, by providing unparalleled service and sustainable solutions in high-quality locations.

We give our people the space they need to grow and push us all a little further. We care about the planet's future and the people in it. We believe sustainability is our responsibility and we choose to work with people and organisations that feel the same.

People

We don't believe in good. Or good enough. We don't believe in the short-term or taking short cuts. We don't believe in putting business before people or anything before quality.

Next to our properties, people are our greatest asset. Every day, it's our people who initiate, build and nurture the long-term relationships with our stakeholders that are integral to our sustainable growth.

Good to great

In recent years, Goodman rolled out an internal programme to help take us from being a good company to becoming a great one. The goal is for all of our people across the 17 countries to understand how to:

+ Deliver to the highest standard
+ Work as part of a team that is focused on the customer
+ Consistently adhere to our values
+ Deliver exceptional customer service
+ Help to build a sustainable business for all our stakeholders
+ Avoid complacency and keep excelling.

For our teams to deliver to the highest standards, we provide an environment that encourages collaboration, innovation, efficiency and long-term decision-making.

We're serious about the health, wellbeing and development of our people, and provide local programmes which promote workplace health and safety, learning and development, and social activities.

Our flexible work practices make space for the greatness of our people, empowering them to manage their own priorities while delivering for our stakeholders.

Space to collaborate

Most of our offices are now designed for activity-based working. This layout style frees our people from the constraints of a single fixed desk and offers them a variety of settings to work. The transformational design has led to improved wellbeing and overall team satisfaction as well as:

+ Greater collaboration, innovation and flexibility
+ Reduced power and paper usage
+ More creativity and team-based work
+ Better communication and less formality so decisions are made faster.

Setting the benchmark high

Goodman's new Auckland city office was developed with a commitment to corporate social responsibility. The office sets a high benchmark for refurbished business space.

It is expected to receive a 5 Star Green Star Office Interior rating and features high-quality materials selected for their functionality, longevity and energy efficiency.

The new office uses half the energy of the previous office, and team satisfaction and wellbeing have increased due to activity-based working, better spaces and a wider range of end-of-trip and recreational facilities.

The meeting rooms were given Māori names with the office also blessed prior to moving in. The use of Te Reo (the Māori language) and the training that staff received in its use and protocols reflect New Zealand's unique heritage and are consistent with a business acknowledging the diversity of its population.

Meanwhile, around 90% of waste building materials were recycled, including used furniture and equipment. This minimised landfill waste and the proceeds from the goods sold were directed to the Goodman Foundation.

While it was a complex project, with a challenging budget and deadline, the result was a great outcome for our New Zealand team members.

Our customers

Our customers are at the centre of our own+develop+manage business model.

We work closely with them to understand their needs and build strong relationships. All customers have direct access to a dedicated team trained to manage their requirements.

We use customer feedback to constantly improve our service. We conduct global customer research to enable us to meet expectations and, if our performance slips, we'll correct it.

Our customers are leveraging our global experience to expand their business across borders. We're increasingly working with them to source warehousing solutions in multiple markets. Sixty-five percent of our top twenty customers now have Goodman properties in more than one country. This is a trend we expect to grow among our 1,600+ customer base.

Our community

The Goodman Foundation believes in giving back in tangible ways to the communities where we operate. We focus on social change through improving the quality of life of those less privileged.

Space for children's health and safety

Goodman is passionate about ensuring the health, safety and wellbeing of children. We support many charities around the world focused on this cause including the Cerebral Palsy Alliance (CPA), SOS Children's Villages, Stepping Stone House, Little Olive Foundation, The Shepherd Centre, Raise Foundation and Humpty Dumpty Foundation. Our support ranges from providing physical space, supporting operations and purchasing equipment, to our people volunteering, mentoring and providing other help.

Research successes since Goodman's involvement have seen the rate of cerebral palsy fall from 1/400 to 1/600 births.

CPA provides family-centred therapies, life skills programmes, equipment and support for people and their families living with cerebral palsy and other neurological and physical disabilities. It drives international research into the prevention, treatment and cure of cerebral palsy through the Cerebral Palsy Alliance Research Foundation.

Goodman has supported CPA and the Cerebral Palsy Alliance Research Foundation to become one of the leading independent funders of cerebral palsy research globally, funding over $36 million in research grants across 300 projects in the past 12 years. Goodman is the exclusive global partner of CPA's major fundraiser, Steptember.

Supporting health and wellbeing

Goodman is the Founding Partner of The Fred Hollows Foundation in Hong Kong and funds eye care projects.

Goodman has funded the Xingtang project which has screened 112,736 people, trained 805 doctors in eye care courses, provided 440 screening kits and trained one cataract surgeon and two nurses to perform cataract surgery.

The Fred Hollows Foundation provides sustainable eye care services for rural, poor and ethnic minority communities around the world.

Goodman has funded two projects in China to build eye health screening and education systems. The first, completed in February 2018, in Xingtang, Hebei, has been extended for a further 12 months.

Towards zero hunger

Goodman provides warehouse space, vehicles and equipment, and our teams volunteer and raise funds to support organisations that reduce hunger and food wastage, including OzHarvest, KiwiHarvest, UKHarvest, Feeding Hong Kong and Second Harvest Foodbank of Orange County, USA.

Without Goodman's support, OzHarvest could not have delivered almost 100 million meals, helped 1,000 charities and saved 31,000 tonnes of food from landfill.

OzHarvest collects quality excess food from commercial outlets and delivers it to more than 1,000 charities supporting people in need.

Making space for responsible consumption

Goodman supports charities such as Thread Together and Good360 Australia, which redirect excess goods to charities while reducing waste.

Goodman has helped enable Good360 Australia to collect more than $50 million in brand new goods to be redistributed to over 800 charities.

Good360 Australia connects surplus brand new goods from businesses, such as clothes, toys, school and office supplies, personal care and household goods to charities and Australians who need them, while improving environmental outcomes. This amounts to over 3.6 million items from microwaves to toiletries and nappies. It has distributed more than $22.3 million in critical goods to people in need in Australia, which also has a huge environmental impact as these products are saved from landfill.

Goodman's support with property space saved millions of dollars for Good360 Australia so it could use those resources for core programmes. The charity also uses the Goodman supplied warehouse to run traineeships for the long-term unemployed.

PEOPLE, PLANET AND PERFORMANCE
Continued

Planet

Sustainability is about more than being green. It's about building a sustainable business for the future. We do this through long-term decision-making designed to have positive economic, environmental and social outcomes.

Key to this is our responsibility to keep challenging ourselves to improve our impact on the planet – both in our daily operations and in how we develop and manage our properties.

Our sustainability strategy

Goodman's sustainability strategy is designed to make a positive long-term impact and covers the following four target areas:

1. Sustainable development – continuous sustainability improvement in our developments through innovation and helping our customers evaluate and incorporate sustainable design initiatives
2. Asset management – managing and investing in our assets to improve efficiency, long-term competitiveness and resilience
3. Corporate performance – measuring our impact, improving our overall performance, managing our compliance obligations and engaging regularly with key stakeholders
4. People and community – inspiring and challenging our people, promoting safe workplaces and supporting community groups and charities through the Goodman Foundation.

In this section, we focus on the first two target areas, particularly on how we are developing and managing assets sustainably. More information on target areas three and four is in the 'People' section on page 12.

UN Sustainable Development Goals

The UNSDGs are a global blueprint for organisations to address the world's most significant development challenges. They call for collaboration to end poverty, protect the planet and create a sustainable future for all.

We understand our role in a global sustainable future and as part of our annual strategy review and planning process we reviewed how these goals aligned with our own sustainability strategy. We found 8 of the 17 UNSDGs were relevant to our business. Significant progress on our sustainability targets was made this year.

Benchmarking our performance

Goodman Group and several of our Investment Partnerships participate in the Global Real Estate Sustainability Benchmark (GRESB) survey to continuously review our performance.

We have succeeded in achieving consistently high scores and in 2018, all previously participating Goodman entities achieved 3 star Green Star status or above, while two Partnerships were ranked first in their respective peer groups.

In addition, Goodman uses a proprietary sustainability assessment tool for its industrial assets, the Goodman Sustainability Snapshot, which is widely used in Continental Europe and more recently in Australia.

Material issues

In the last six years, Goodman identified and refined a set of material issues fundamental to building long-term value and sustainable performance. We needed these issues to reflect not only our own principles but also our stakeholders' input.

This section highlights some of the significant aspects of Goodman's sustainability strategy and performance in FY18. More details are available at: https://www.goodman.com/investor-centre/goodman-group-australia/annual-reports

Sustainable development

Properties built smarter are ready for the challenges of tomorrow. We are committed to high quality, reducing costs over a building's life cycle and using best practice sustainable techniques and materials. We design and build our properties with the planet in mind.

Goodman's material issues	Goodman commitments	Short-term targets	FY18 performance
Flexible and adaptable properties Smart energy solutions Supply chain Biodiversity.	Develop assets that include enhanced sustainability standards that aim to meet future demands of our customers and the climate Incorporate smart energy solutions such as renewable energy generation, LED lights and smart metering Partner with our supply chains to create spaces using responsible materials and means Maximise opportunities in infill locations Operate in a manner that promotes biodiversity and enhances habitat.	Significant amount of new developments certified across our regions by FY19 10 MW of new solar PV projects completed or initiated by FY22.	Formally adopted a base-building specification for all global developments that offer sustainability initiatives including: + Strategic site selection close to infrastructure, consumers and transport + Renewable energy from rooftop solar PV systems + Translucent roof sheeting to maximise natural lighting + Fully automated LED lights + Electrical sub metering + Glare control + Low volatile organic compound materials + Rainwater harvesting + End-of-trip facilities + Drought tolerant native landscaping 100% of Goodman's completed developments included sustainable design initiatives Over 7 MW of renewable energy installed or in progress in Continental Europe, Japan and Australia Approximately 40% of industrial space now has a certified green rating in Continental Europe All new developments in Continental Europe to have electric vehicle charging stations.
Relevant UNSDGs			

PEOPLE, PLANET AND PERFORMANCE
Continued

Clean energy progress

The Group's investment in solar energy infrastructure continues to gather momentum. Japan remains Goodman's primary region for the installation of solar PV on rooftops, with a further 3 MW installed at Goodman Business Park, Chiba in greater Tokyo, taking our installed capacity in Japan to approximately 19 MW. In Continental Europe, we now have 4 MW installed across seven projects.

In China, the 750 kW system at Goodman Qingpu Centre in greater Shanghai is operating successfully and presents a model for several projects in planning, including a proposal for several small vertical installations on the external walls at Goodman Pudong International Airport Logistics Park.

In Australia, we are incorporating smaller systems as part of the base-building specification for the majority of new developments and beginning to retrofit solar on some existing buildings as opportunities arise.

How do we improve?

Goodman is constantly looking to innovate and incorporate proven new technology. We investigate alternatives to existing materials and processes to enhance the long-term sustainability of our properties, and reduce our impact on the planet.

Alternatives we are evaluating include:

+ Low carbon concrete products – the main element that produces carbon emissions in concrete mix, Portland cement, is significantly lower in products such as Envisia and Geopolymer Concrete. Using these can reduce emissions by an estimated 30–70%
+ Lower emission steel – products such as the carbon neutral cladding that has achieved Confidex Sustain certification which we are trialling in the UK, can reduce the carbon intensity in steel.

Asset management

Our ability to manage assets through their lifecycle improves their long-term environmental and financial performance. We take a strategic view of each asset and define a clear management plan driven by location, age, capex requirements and functionality. Through this approach, we can maximise the value of our portfolio to keep meeting the needs of customers into the future.

Goodman's material issues	Goodman commitments	Short-term targets	FY18 performance
Customer relationships Resilient portfolio Monitoring efficiency Reducing waste.	Manage a high-quality portfolio, prioritising energy and water efficiency Manage assets while considering their current and future climate exposures Offer superior customer service with lease clauses that aim to reduce energy and water use Partner with our supply chain providers to promote on-site waste management and provide recycling opportunities.	1 MW of solar PV installed or initiated globally on stabilised assets in FY19 An additional one million sqm of space upgraded to LED lighting by FY22.	LED lighting upgrades across the stabilised portfolios in Australia, Continental Europe, Hong Kong and Greater China + Approximately 87% of common areas now use LED lights, reducing energy consumption by up to 60% for our China properties Climate Vulnerability Assessment undertaken in Australia 6% reduction in energy consumption across Goodman's Australian office portfolio using the Buildings Alive system Sydney corporate office achieved a 5 Star NABERS energy rating Water usage measures and landscaping across our China properties include the re-use of rainwater, replacement of large lawns with native hedges and the use of vertical gardens to improve amenity Green lease clauses encouraged customers and Goodman to collaborate sustainably. At least one green lease clause was included in 79% of the leases signed in Continental Europe, while 63% included three clauses Simply Cups recycling scheme in the Sydney office is saving more than 2,000 take-away cups a month from landfill We contributed to major reductions in food waste and landfill through our support of food rescue charities.
Relevant UNSDGs			

PEOPLE, PLANET AND PERFORMANCE

Continued

Goodman Sustainability Snapshot

Goodman Sustainability Snapshot is a proprietary tool that assesses and compares the sustainability level of our buildings. The tool can be used as part of the feasibility analysis for new developments and in our detailed asset plans for our stabilised assets.

The tool helps us to:

+ Identify areas with potential for sustainability improvements so we can upgrade our targets accordingly
+ Improve transparency and make better investment decisions
+ Improve the overall quality of our portfolio.

The tool's analysis is based on six topics (each weighted differently):

1. Green certification
2. Lighting
3. Heating, ventilation and air conditioning
4. Insulation
5. Building management system and metering
6. Features including alternative energy sources, water reuse and treatment, waste, landscaping and biodiversity, and wellbeing.

The tool, widely used in Continental Europe and more recently in Australia, is still being refined, but we're seeing some positive results. Going forward, we aim to use the insights from the Goodman Sustainability Snapshot tool to support investment in sustainability initiatives that will help improve our assets for the long-term.

Performance

Delivering solid financial results is critical to Goodman's long-term sustainability; however, we measure our performance by our positive impact on stakeholders and the environment as well as by the numbers.

We discuss our progress on stakeholders and the environment in the 'people' and 'planet' sections of this report. Here we give a snapshot of the Group's operational performance.

For a thorough review of our financial performance, please see the consolidated financial report on page 33.

Operational performance

The consistent implementation of our own+develop+manage strategy has delivered sustained growth across the Group for our stakeholders.

The portfolio continued to be the key driver of the strong operational result, with property fundamentals steadily improving in FY18.

Own	Develop	Manage
98% **Occupancy** High occupancy was maintained with tight supply in the urban and infill locations we operate in around the world.	**$3.6 billion** **Development WIP** Our development workbook increased to 80 projects across 12 countries, with global demand driven by changes in technology.	**$38.3 billion** **Total assets under management (AUM)** External AUM grew 15% to $35.1 billion driven by revaluation gains and development completions.
3.5 million **Square metres** New leases globally equated to $429 million in annual rental property income across the Group and Partnerships.	**$3.2 billion** **Development commencements** Two million sqm of developments commenced this year, with 71% on behalf of Partners or third parties.	**15%** **Average total return of Partnerships** Continued strong performance of the Partnerships increased management earnings.
$2.8 billion **Revaluation gains** By focusing on high-quality properties in locations where supply is scarce, we increased our portfolio's value.	**$3.5 billion** **Development completions** We completed 2.2 million sqm of developments around the world with 87% leased to customers.	**343** **Number of properties in Partnerships** Partnerships increasingly focused on developing assets for long-term ownership.

CORPORATE GOVERNANCE

Goodman's Corporate Governance Statement can be viewed on our website at http://www.goodman.com/about-us/corporate-governance/statement

SUSTAINABILITY REPORT

Sustainability is about more than being green; it's about building a sustainable business for the future. We aim to do this by aligning the outcomes of our people with those of our customers, Partners, community and Securityholders, in order to balance the long-term performance for all.

For our teams to deliver to the highest possible standards, we look to create a working environment that encourages collaboration, innovation, efficiency and long-term decision making. This is the most effective method, in our view, of delivering sustainable performance across our global operations and ultimately having a positive impact on people and the planet.

Our industry is experiencing transformational change. It's caused by rapid advances in technology, urbanisation, the growth of e-commerce, evolving patterns of consumer behaviour and the modernisation of supply chains. These are significant drivers of customer demand globally.

We view these technological and societal drivers as opportunities more than challenges. Our business longevity requires we embrace them and respond in a way that promotes our sustainability commitments.

The built environment represents approximately 30–40% of the world's total CO_2 emissions[1]. As a major developer and manager of property assets, we acknowledge it is our ongoing responsibility to reduce the emissions associated with the development and ongoing management of our properties. Also, we are committed to creating climate resilient assets to minimise the impact of a range of climate associated risks. Many of these efforts require long-term investment, which ultimately benefits our customers, the environment and the sustainability of our operations.

Our focus on sustainability is evident in several considerations within Goodman's business model. These include:

+ The locations we choose provide proximity to final destination, reducing distances, emissions and costs for our customers
+ Our design specifications aim to minimise obsolecence and maximise adaptability to remain relevant to our customers' needs
+ Redevelopment opportunities in infill areas look to create efficient facilities closer to our customers' end customers
+ Continued investigation into technological advancements to increase adaptability of our portfolio and reduce our impact on the planet
+ The continued positive impact of the Goodman Foundation in the communities where we operate
+ Deliver employee incentives that further align our people's performance and wellbeing with long-term business objectives.

OUR SUSTAINABILITY STRATEGY

Goodman's sustainability strategy addresses long-term issues and trends we believe are material to the sustainability of our operations. Our strategy comprises of four operational pillars of sustainability that connect Goodman's purpose to its own+develop+manage business model. These include:

+ Sustainable development – continuous improvement in our developments through innovation and helping our customers evaluate and incorporate sustainable design initiatives
+ Asset management – managing and investing in our assets to improve efficiency, long-term competitiveness and resilience
+ Corporate performance – measuring our impact, improving our overall performance, managing our compliance obligations and engaging regularly with key stakeholders
+ People and community – inspiring and challenging our people, promoting safe workplaces and supporting community groups and charities through the Goodman Foundation.

How is our sustainability governed?

Goodman operates under a global sustainability policy that encompases our operations and our Investment Partnerships globally. Implementation of our sustainability policy is influenced by local priorities and targets.

Our sustainability policy is endorsed by the Goodman Board and overseen by the Group Risk and Compliance Committee.

The Group Head of Sustainability, located in Goodman's head office in Sydney, has responsibility for the policy and works with the regions to implement the sustainability strategy globally.

We disclose our sustainability performance through various channels including the Global Real Estate Sustainability Benchmark (GRESB), the Goodman website, regional websites, investor newsletters, investor surveys, quarterly reports and annual reports.

1. Source: United Nations

SUSTAINABILITY REPORT
Continued

Are we getting it right?

In the past 12 months, we have made good progress in each of the four pillars.

Our development specifications continue to evolve. We are responding to our customers' requirements and increasing our focus on reducing operating costs and incorporating advances in technology, from energy efficient lighting to water efficient landscaping.

Over the year, we continued to invest in increasing energy efficiency across our stabilised portfolio, including replacing less efficient lighting with LED lighting. Our renewable energy installations are growing, with more than 7 MW of new solar PV installations completed or in progress in Continental Europe, Japan and Australia.

We know our continued success depends on the performance of our people, and in 2018 we refreshed and expanded our health and wellbeing programmes. In addition, all our people benefit from Goodman's sustained growth through the Group's long-term incentive plan. The plan is important in promoting long-term decision making and encouraging employees to choose outcomes which maximise sustainable results rather than expedient ones.

We believe it is not only important to continually review our growth aspirations in a transforming industry, but also to measure our outcomes against the broader global market's expectations to adapt and reassess our approach and results.

We do this by benchmarking our real estate through GRESB, a globally recognised and utilised process used to evaluate the sustainability performance of real estate investment managers.

Our initiatives, paired with the successful implementation of our risk management and governance policies, have resulted in consistently high scores in this benchmark, with all previously participating Goodman entities achieving 3 Star Green Star status or above, while two Goodman Partnerships achieved 'Sector Leader' for their respective peer groups.

While this recognition is encouraging, we continually review our goals to remain relevant to the changing environment and believe there are real opportunities to improve.

What is material for Goodman?

Over the past six years, Goodman has refined the set of material issues we believe are fundamental to building long-term value and sustainable performance. It is important these issues reflect our own principles, as well as stakeholder input. The issues have been defined through consultation with:

+ Goodman's senior leadership, global management and our team members
+ Customers
+ Investors who've shared their aspirations for responsible investment
+ Industry leaders and experts.

We understand our role in a sustainable future and review how our objectives align with the overall aspirations of the UN Sustainable Development Goals (UNSDGs). As part of the annual strategy review and planning process in 2018, we have evaluated Goodman's activities and the UNSDGs aspirations, and compared these where relevant to our business and sustainability commitments. We identified eight UNSDGs as interrelated with our sustainability objectives as detailed in the following section.

OUR PILLARS AND PERFORMANCE

Sustainable development

Aim: Develop world-class industrial spaces in the best locations to positively contribute to our customers, Investment Partners and communities over the long term.

Goodman's material issues	Goodman commitments	Short-term targets	FY18 performance
Flexible and adaptable properties	Develop assets with enhanced sustainability standards to meet our customers' future needs and the changing climate Maximise opportunities in infill locations	Significant amount of new developments certified across our regions by FY19 10 MW of new solar PV projects completed or initiated by FY22.	Formalised base-building specification for all global developments incorporating sustainability initiatives consistent with achieving high design ratings and certifications Over 7 MW of renewable energy installed or in progress Over 1.1m sqm of industrial space with a certified green rating in Continental Europe.
Smart energy solutions	Incorporate smart energy solutions such as renewable energy, LED lighting and smart metering		
Supply chain	Partner with our supply chains to create spaces using responsible materials and means		
Biodiversity.	Operate in a way that promotes biodiversity and enhances habitat.		
Relevant UNSDGs	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 15 LIFE ON LAND		

Our design specifications are aimed at adapting to our customers' transforming industries and optimising efficiency. In FY18, we formalised this commitment by adopting a base-build specification for all development globally that incorporates sustainability initiatives consistent with achieving high design ratings and certifications.

We work with customers and consultants on new projects, incorporating technology and design features to improve the long-term performance of each property.

Increasingly, the design of modern warehouses is being influenced by health and wellbeing initiatives. These manifest in features such as breakout spaces, fitness and recreation facilities and services such as cafés and child care centres, previously non-existent in logistics precincts. Recent trends have seen increasing investment in:

+ Health, wellbeing and customer comfort
+ Climate adaptation
+ Automation and capacity for electric vehicles
+ Energy and water efficiency
+ Amenity, aesthetic and low maintenance elements.

We design to suit respective regional markets. The underlying principles, however, include sustainable initiatives that are globally consistent among our operating regions.

Common features in our developments include:

+ Strategic site selection close to infrastructure, consumers and transport
+ Renewable energy from rooftop solar PV systems
+ Translucent roof sheeting to maximise natural lighting
+ Fully automated LED lighting
+ Electrical sub metering
+ Glare control
+ Low volatile organic compound (VOC) materials
+ Rainwater harvesting
+ End of trip facilities
+ Drought tolerant native landscaping
+ Roof height safety.

SUSTAINABILITY REPORT
Continued

Exploring innovation

Constant innovation is crucial. We incorporate proven new technologies and investigate alternatives to existing materials and processes. Changes to our customers' operations require new solutions that also contribute to our sustainability goals.

Automation is significantly enhancing productivity in warehouses, resulting in operational efficiencies, reduced costs and quicker deliveries to the end customer. However, it can also increase energy consumption and a property's environmental footprint. Our Development team constantly reviews innovations in energy efficiency and renewable power to manage this impact, for example, in solar PV systems and LED lighting.

Reducing carbon emissions is a major consideration for the Group and some of our greatest reductions may be achieved during the development process. As such, we continually investigate lower emission construction methods and products, in addition to technologies that reduce emissions from the operational phase of each building's lifecycle.

Concrete and steel production are major contributors to emissions from construction materials. As such, we are reviewing options to reduce the embodied carbon in our developments, such as modified forms of concrete. While technologies that meet our specific requirements are not widely available or viable just yet, we have taken meaningful steps to advance the potential use of some of these alternatives.

For example, we continue to review low-carbon concrete products such as Envisia and Geopolymer Concrete. These products offer significantly lower concentration of Portland cement (the main emission producing element in concrete mix), reducing emissions by an estimated 30-70%.

The iron and steel industry produces about 5% of the total world greenhouse gas emissions per annum. We are investigating sources and availability of lower emission steel, to identify potential alternatives with a reduced carbon intensity. This can be achieved through either the manufacturing process or the purchase of carbon offsets such as the carbon neutral cladding we have been trialling in the UK which has been certificed by Confidex Sustain, UK.

Certification

We use various rating schemes around the world to certify the green attributes of our properties, including DGNB in Germany, Leadership in Energy and Environmental Design (LEED) in the United States and Comprehensive Assessment System for Built Environment Efficiency (CASBEE) in Japan.

In regions where certification is more cost prohibitive, such as Australia and New Zealand, we consult with customers to understand the additional costs and evaluate these in the context of our customers' and our own desired sustainability outcomes.

Below are a number of case studies which demonstrate Goodman's sustainable development initiatives in practice.

Goodman Venlo Logistics Centre, Venlo, the Netherlands

The new, flexible logistics property is Goodman's sixth project in Venlo, which is regarded as one of the Netherland's top logistics locations for cross-border e-commerce fulfilment.

Situated at the intersecting motorways A67 and A73, the Goodman Venlo Logistics Centre presents logistics efficiencies for companies to manage their flow of goods efficiently across Europe, with good multimodal links by water, rail and road.

The new 19,192 sqm flexible property comprises of industrial and office facilities to meet the needs of companies from various industries such as e-commerce and retail. The property incorporates a variety of sustainability features including:

+ Target BREEAM excellent rating
+ Flexible design to suit various uses
+ 700kW rooftop solar PV system
+ LED lighting throughout the warehouse
+ Electric vehicle charge points
+ Water efficient fixtures

Rochedale Motorway Estate, Brisbane, Australia

Rochedale Motorway Estate is Brisbane's newest industrial precinct on the Gateway Motorway, providing unrivalled access to Brisbane's metropolitan areas via the Logan and Pacific motorways. The cutting-edge industrial facility is fully leased to an existing Goodman customer who was attracted to the property due to this road access and its proximity to the port and airport.

The facility boasts the majority of Goodman's sustainability features including:

+ LED lighting throughout the warehouse
+ Translucent roof panels to maximise natural lighting in the warehouse
+ Daylight sensors in the warehouse and motion sensors in the office areas to modulate lighting usage
+ 2 x 45,000 litre rainwater tanks, used for toilets, irrigation and cleaning purposes
+ Water efficient bathroom fixtures
+ Drought tolerant landscaping
+ End of trip bicycle facilities

Goodman Pinghu North Logistics Centre Phase 1, Pinghu, China

Goodman Pinghu North Logistics Centre Phase 1 comprises 34,043 sqm of new single storey warehouse space across two separate buildings, in the greater Shanghai area. The modern logistics facility reached practical completion in January 2018 and is 100% leased to a domestic logistics provider. It has a range of sustainability features now commonly found in Goodman's recent developments in China. These include:

+ LED lighting throughout the warehouse
+ Translucent roof panels to maximise natural lighting
+ Rainwater tanks to capture rainwater for irrigation purposes
+ Native landscaping to reduce water consumption
+ Dedicated breakout space with outdoor seating area to improve occupant amenity
+ Off-shutter concrete to improve aesthetics and minimise ongoing maintenance
+ Good access to major Shanghai road networks including the S36 Highway.

ASSET MANAGEMENT

Aim: Maintain a resilient and high-quality portfolio that will meet our customers' future needs.

Goodman's material issues	Goodman commitments	Short-term targets	FY18 performance
Customer relationships	Manage a high-quality portfolio, prioritising energy and water efficiency	1 MW of solar PV installed or initiated globally on stabilised assets in FY19 An additional one million sqm of space upgraded to LED lighting by FY22.	6% reduction in energy consumption across Goodman's Australian office portfolio LED lighting upgrades across the stabilised portfolios in Australia, Continental Europe, and Greater China Sydney head office achieved a 5 Star NABERS Energy rating Water efficiency measures for landscaping across China.
Resilient portfolio	Manage assets and consider their current and future climate exposures		
Monitoring efficiency	Offer superior customer service with leases that help to reduce of energy and water use		
Reducing waste.	Partner with our supply chain to promote onsite waste management and recycling opportunities.		
Relevant UNSDGs			

SUSTAINABILITY REPORT
Continued

Our ability to manage our assets through their lifecycle improves their long-term environmental and financial performance. We take a strategic view of each asset and define a clear management plan driven by location, age, capex requirements and functionality.

Retrofitting a building is less flexibile than development; however, it extends the operational life of the property and supports our broader infill strategy. During the year, we succeeded in numerous retrofitting programmes to continually improve our stabilised portfolios.

Lighting upgrades improve energy efficiency and reduce our customers' costs. LED lighting in warehouses has advanced to the point that additional upfront costs can be recovered in less than a year through the energy saved and maintenance costs avoided.

In Australia, the office buildings which utilise the Buildings Alive monitoring system reduced energy consumption by an estimated 6% during the year. The system is primarily a real time performance monitoring tool, providing a daily performance report to our building management teams, as well as a peak demand warning system. It assists in planning power use to reduce peak power requirements and energy costs for customers, and will enable ongoing monitoring of our energy efficiency initiatives such as solar PV in the future.

In Europe, more than one million square metres of warehouse space is now equipped with LED lighting, reducing energy consumption and costs. This ultimately improves let-ability of the property and long-term rental growth and contributes to having a flexible portfolio.

Approximately 87% of the common area lighting in our properties across China is now equipped with LED ighting, reducing energy consumption by up to 60%. LED is now our development standard for all developments in China.

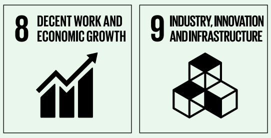
We've also placed significant focus on the landscaping across the China portfolio to make it more sustainable. With such a varied climate, our Property Services team is looking at the capture and reuse of rainwater, the replacement of large lawns with native hedges and the use of vertical gardens to improve estate amenity.

Undertaking sustainability ratings for our industrial portfolio remains a priority. At present, we use various schemes globally to rate our stabilised portfolios and have several pilot ratings in progress in Australia, China and Continental Europe.

In addition, Goodman uses a proprietary sustainability assessment tool for its industrial assets. The Goodman Sustainability Snapshot which is widely used in Goodman's European business and more recently in Australia. It assesses and compares the sustainability level of our buildings and can be used for feasibility analysis for new developments and in the detailed asset plans for our stabilised assets.

CORPORATE PERFORMANCE

Aim: To be a trusted partner to all stakeholders by maintaining positive relationships and commitments to compliance, disclosure and community connection.

Goodman's material issues	Goodman commitments	Short-term targets	FY18 performance
Risk management	Ensure we operate with responsibility and dedicate resources to managing business risks i.e. compliance and ongoing financial sustainability	A further 10 MW of solar PV installed by FY22 to act on climate change 15% reduction of our corporate carbon emissions by FY22 0–25% gearing ratio Minimum GRESB 3 Star Green Star result for all Goodman submissions.	Regular engagement with regulatory authorities and stakeholders, including European customer engagement initiative GRESB 3 Star Green Star status or above achieved by all previously participating Goodman entities.
Corporate governance	Operate within governance structures that uphold our operating policies, employment conduct and investment strategy Regularly and consistently disclose to and engage with stakeholders		
Carbon emissions.	Collect data to monitor progress on carbon emission reduction targets.		
Relevant UNSDGs			

Goodman operates in a highly regulated environment where our governance structures and compliance commitments are critical. We provide timely information about our business to our customers, Partners, the investment community and regulators.

In FY18, Goodman's European business completed a major engagement initiative, meeting with customers to discuss sustainability matters. The discussions identified common goals, particularly relating to employee wellbeing and measures to improve energy efficiency.

SUSTAINABILITY REPORT
Continued

GRESB LEADERSHIP

Goodman has participated in the GRESB survey for seven years, and been a company member for five.

GRESB scores and benchmarks companies' Environmental, Social and Governance performance, giving insights to investors and participants. In 2018, 903 property companies and funds, jointly representing more than US$3.6 trillion in assets under management, participated in the GRESB Real Estate Assessment. More than 75 institutional and retail investors, including pension funds and insurance companies, representing over US$18 trillion of institutional capital, use GRESB.

In FY18, Goodman submitted surveys for eight separate entities, including the recently launched Goodman Brazil Partnership. Our results were again strong, with all previously participating Partnerships achieving status of 3 Green Star or above,with the Goodman Australia Industrial Partnership and Goodman Japan Core Partnership awarded 'Sector Leader' within their respective peer groups. These results demonstrate our long-term commitment to understanding the global impact of our business.

In summary, the results across our global portfolio, including managed partnerships - which hold $35 billion of the Group's total assets of $38 billion – were:

+ Goodman Australia Industrial Partnership (GAIP) and Goodman Japan Core Partnership (GJCP) ranked 1st in their respective peer groups
+ All previously participating Goodman Partnerships maintained Green Star status, achieving 3 Star or above, with three Partnerships achieving 4 Star (Green Star is the highest category, but respondents that achieve Green Star are then rated 1–5, with 5 the best)
+ Both GAIP and GJCP improved their 2017 scores by 16%
+ Goodman Group finished 2nd in its peer group (Developer, Industrial) and achieved Green Star 4 Star status.

GRESB results

Partnership	2018 score relative to peer group	Year change	Green Star (1–5)	Peer group rank	Peer group
Goodman Australia Industrial Partnership	+25%	+16%	Yes – 4 Star	1st	Industrial | Australia | Non-listed
Goodman Australia Partnership	+19%	+9%	Yes – 4 Star	3rd	Industrial | Australia | Non-listed
Goodman Hong Kong Logistics Partnership	+18%	+5%	Yes – 3 Star	4th	Industrial | East Asia | Non-listed
Goodman Japan Core Partnership	+35%	+15%	Yes – 4 Star	1st	Industrial | East Asia | Non-listed
Goodman European Partnership	+16%	+16%	Yes – 4 Star	6th	Industrial | Europe | Non-listed | Indirectly Managed
Goodman UK Logistics Partnership	–8%	–2%	Yes – 3 Star	4th	Developer | Industrial Developer Assessment
Goodman Group	+10%	–1%	Yes – 4 Star Public Disclosure Level B	2nd	Developer | Industrial Developer Assessment

These results demonstrate our commitment to managing the impact of our business on people and the planet.

Responding to climate change risk

Goodman realises our buildings are exposed to various climates and weather patterns in our diverse operating regions. Properties in our global portfolio reflect local building regulations and building practices that generally take into account local climatic conditions.

We are working with experts to understand potential impacts under various climate scenarios and to identify opportunities to mitigate long-term impacts. Assessments can include both historical data and climate forecasts and look at the vulnerability of specific locations to conditions such as rain, hail, storms, flooding, snow, wind, fire and heat.

Our Property teams can use this and other climate related information to assess and manage the risks to existing assets and new assets to be acquired or developed.

Clean and renewable energy

The Group's investment in solar energy infrastructure continues to gain momentum. Japan remains Goodman's primary region for the installation of solar PV on rooftops, with a further 3 MW installed at the Goodman Business Park in greater Tokyo, taking our installed capacity in Japan to approximately 19 MW. In Continental Europe, an additional 4 MW was installed in the last year across seven projects.

In China, the 750kW system at Goodman Quinpu Centre in Greater Shanghai is operating successfully and presents a model for several projects in planning including potential vertical solar installations on the external walls at the Goodman Pudong Airport Logistics Park.

In Australia, we are incorporating solar PV systems as part of the base-build specification for the majority of new developments. Continued evolution of renewable technologies, particularly solar and battery, is a growing opportunity. Through continued investigation and a thorough understanding of our customers' usage requirements, we expect to be able to deliver more efficient energy solutions over time, which will provide economic returns to both Goodman and our customers, as well as environmental and sustainability benefits.

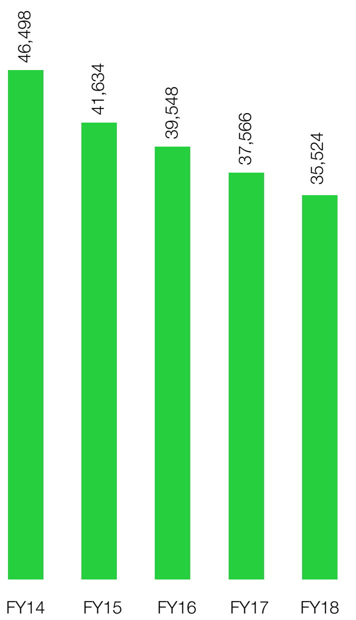
Some of these technologies must be implemented during the development phase but some can be retrofitted to existing estates. Over time, given the scale of our platform, bulk renewable energy purchasing, or large scale renewable off-takes, could provide access to cheap renewable power to our customers in properties with a limit to the amount of renewable power that can be installed onsite.

Greenhouse gas emissions

Goodman's FY18 greenhouse gas emissions for its Australian operations are estimated at 35,524 tonnes of CO_2-e., a reduction of 2,032 tonnes.The decrease is primarily due to asset sales completed during the year and energy efficiencies across the portfolio.

Our greenhouse gas calculation includes scope 1 and 2 emissions generated by Goodman's Australian property and building management services, including assets owned directly by Goodman and those in our Partnerships. Where submetering allows, we have excluded the greenhouse gas emissions of our customers.

Greenhouse gas emissions
(tCO_2-e)



SUSTAINABILITY REPORT
Continued

PEOPLE AND COMMUNITY

Aim: Maintain a diverse workplace culture committed to wellbeing and supported by the Goodman values.

Goodman's material issues	Goodman commitments	Short-term targets	FY18 performance
Diversity and workplace	Maintain an inclusive and diverse workplace culture supported by the Goodman values	10% increase in volunteering hours through the Good + Heart programme from FY17 – FY20 Increase staff engagement through number of participants and funds raised through Good + Deeds from FY17 – FY20.	4% increase from FY17 in Good + Heart hours donated by our people Staff fundraising increased by 15% year on year.
Safety and wellbeing	Develop assets which promote health and wellbeing for customers Create a culture where all team members, suppliers and customers are responsible for workplace safety		
Community connectedness.	Support initiatives through the Goodman Foundation that create social value in the community.		
Relevant UNSDGs	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH		

Our customers

Our customers are at the centre of our own+develop+manage business model. We understand their needs by working closely with them and building strong relationships. Every Goodman customer has direct access to a dedicated team.

Our customers are leveraging our global experience to expand their business across borders. We're increasingly working with them to source warehousing solutions in multiple markets. Sixty-five percent of our top 20 customers now have Goodman properties in more than one country. This is a trend we expect to grow among our 1,600+ customer base.

Many of our customers now expect that wellbeing is factored into Goodman's developments. We are increasingly providing end of trip facilities, fitness equipment, recreation facilities, breakout spaces, kiosks and cafés, as employers strive to provide benefits that attract and retain a high-quality and motivated workforce.

This is particularly evident in Japan where features such as the jogging track at Goodman Akamatsudai and the roof top recreation facilities at Goodman Business Park Chiba, illustrate our commitment to our customers' evolving requirements.

Our people

In recent years Goodman rolled out a programme to take us from being a good company to becoming a great one. The goal is for each of our approximately 1,000 Goodman people in 17 countries to understand how to:

+ Deliver to the highest standard
+ Work as part of a team that is focused on the customer
+ Consistently adhere to our values
+ Deliver exceptional customer service
+ Help to build a sustainable business for all our stakeholders
+ Avoid complacency and keep excelling.

For our teams to deliver to the highest standards, we provide an environment that encourages collaboration, innovation, efficiency and long-term decision making.

We're committed to the health, wellbeing and development of our people, and provide local programmes that promote workplace health and safety, learning and development and social activities. In order to execute this commitment Goodman has developed and is actively implementing a Global Safety Framework which includes:

+ Goodman safety + environmental standards
+ Goodman safety corporate governance framework
+ Critical operational risk control guidelines
+ Monitoring and continuous improvement.

Space to collaborate

Most of our global offices are now designed for activity-based working. This layout style frees our people from the constraints of a single fixed desk and offers them a variety of settings to complete their work. The transformational design has led to improved well-being and overall team satisfaction as well as:

+ greater collaboration, innovation, flexibility and creativity
+ reduced power and paper usage.

Setting the benchmark high

Goodman's new Auckland city office was developed with a commitment to corporate social responsibility. The office sets a high benchmark for refurbished business space.

It is expected to receive a 5 Star Green Star Office Interior rating and features a high-quality fitout using materials, furnishings and lighting systems selected for their functionality, longevity and energy efficiency.

The new office uses half the energy of the previous office, and team satisfaction and well-being have increased due to activity-based working, better spaces and a wider range of facilities.

Meanwhile, around 90% of waste building materials were recycled, including used furniture and equipment. This minimised landfill waste and the proceeds of the goods sold were directed to the Goodman Foundation.

While it was a complex project and the budget and deadline proved challenging, the result was great outcome for our New Zealand team members.

SUSTAINABILITY REPORT

Continued

Our community

The Goodman Foundation encourages team members to give back in satisfying and tangible ways to the communities around them. Whether it's supporting the homeless or raising money for charities, the Goodman Foundation facilitates the process, and provides additional financial support.

Space for children's health and safety

Goodman is passionate about ensuring the health, safety and wellbeing of children. We support many charities around the world focused on this cause including the Cerebral Palsy Alliance (CPA), SOS Children's Villages, Stepping Stone House, Little Olive Foundation, The Shepherd Centre, Raise Foundation and Humpty Dumpty Foundation. Our support ranges from providing physical space, supporting operations and purchasing equipment, to our people volunteering, mentoring and providing other help.

Research successes since Goodman's involvement have seen the rate of cerebral palsy fall from 1/400 to 1/600 births.

CPA provides family-centred therapies, life skills programmes, equipment and support for people and their families living with cerebral palsy and other neurological and physical disabilities. It drives international research into the prevention, treatment and cure of cerebral palsy through the Cerebral Palsy Alliance Research Foundation.

Goodman has supported CPA and the Cerebral Palsy Alliance Research Foundation to become one of the leading independent funders of cerebral palsy research globally, funding over $36 million in research grants across 300 projects in the past 12 years. Goodman is the exclusive global partner of CPA's major fundraiser, Steptember.

Supporting health and wellbeing

Goodman is the Founding Partner of The Fred Hollows Foundation in Hong Kong and funds eye care projects.

Goodman has funded the Xingtang project which has screened 112,736 people, trained 805 doctors in eye care courses, provided 440 screening kits and trained one cataract surgeon and two nurses to perform cataract surgery.

The Fred Hollows Foundation provides sustainable eye care services for rural, poor and ethnic minority communities around the world.

Goodman has funded two projects in China to build eye health screening and education systems. The first, completed in February 2018, in Xingtang, Hebei, has been extended for a further 12 months.

Towards zero hunger

Goodman provides warehouse space, vehicles and equipment, and our teams volunteer and raise funds to support organisations that reduce hunger and food wastage, including OzHarvest, KiwiHarvest, UKHarvest, Feeding Hong Kong and Second Harvest Foodbank of Orange County, USA.

Without Goodman's support, OzHarvest could not have delivered almost 100 million meals, helped 1,000 charities and saved 31,000 tonnes of food from landfill.

OzHarvest collects quality excess food from commercial outlets and delivers it to more than 1,000 charities supporting people in need.

Making space for responsible consumption

Goodman supports charities such as Thread Together and Good360 Australia, which redirect excess goods to charities while reducing waste.

Goodman has helped enable Good360 Australia to collect more than $50 million in brand new goods to be redistributed to over 800 charities.

Good360 Australia connects surplus brand new goods from businesses, such as clothes, toys, school and office supplies, personal care and household goods to charities and Australians who need them, while improving environmental outcomes. This amounts to over 3.6 million items from microwaves to toiletries and nappies. It has distributed more than $22.3 million in critical goods to people in need in Australia, which also has a huge environmental impact as these products are saved from landfill.

Goodman's support with property space saved millions of dollars for Good360 Australia so it could use those resources for core programmes. The charity also uses the Goodman supplied warehouse to run traineeships for the long-term unemployed.

GOODMAN LIMITED AND ITS CONTROLLED ENTITIES

Consolidated financial report for the year ended 30 June 2018

CONTENTS

DIRECTORS' REPORT

The directors (Directors) of Goodman Limited (ABN 69 000 123 071) and Goodman Funds Management Limited (GFML), the responsible entity for Goodman Industrial Trust (ARSN 091 213 839), present their Directors' report together with the consolidated financial statements of Goodman Limited and the entities it controlled (Goodman or Group) and the consolidated financial statements of Goodman Industrial Trust and the entities it controlled (GIT) at the end of, or during, the financial year ended 30 June 2018 (FY18) and the audit report thereon.

Shares in Goodman Limited (Company or GL), units in Goodman Industrial Trust (Trust) and CHESS Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK) are stapled to one another and are quoted as a single security on the Australian Stock Exchange (ASX). In respect of stapling arrangements, Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised and accordingly Goodman Limited is identified as having acquired control over the assets of GIT and GLHK. The consolidated financial statements of Goodman Limited therefore include the results of GIT and GLHK.

As permitted by the relief provided in Australian Securities & Investments Commission (ASIC) Instrument 18-0353, the accompanying consolidated financial statements present both the financial statements and accompanying notes of Goodman and GIT. GLHK, which is incorporated and domiciled in Hong Kong, prepares its financial statements under Hong Kong Financial Reporting Standards and the applicable requirements of the Hong Kong Companies Ordinance and accordingly the financial statements of GLHK have not been combined and included as adjacent columns in the consolidated financial statements. The financial statements of GLHK have been included as an appendix to this report.

PREPARATION OF THE CONSOLIDATED FINANCIAL REPORT OF GOODMAN INDUSTRIAL TRUST

GFML, as responsible entity for the Trust, is solely responsible for the preparation of the accompanying consolidated financial report of GIT, in accordance with the Trust's Constitution and the Corporations Act 2001.

PRINCIPAL ACTIVITIES

Goodman is a global integrated property group and one of the world's leading listed industrial property groups. Goodman is focused on its proven business model of owning, developing and managing industrial property and business space in key markets around the world.

The principal activities of Goodman during the course of the current financial year were investment in directly and indirectly held industrial property, investment management, property services and property development. Goodman's key operating regions during the financial year were Australia and New Zealand, Asia, Continental Europe, United Kingdom and the Americas.

DIRECTORS

The directors of the Company and GFML at any time during, or since the end of, the financial year were:

Directors	Appointments/retirements during the year
Mr Ian Ferrier AM (Independent Chairman)	
Mr Gregory Goodman (Group Chief Executive Officer)	
Mr Philip Fan (Independent Director)	Retired 16 November 2017
Mr John Harkness (Independent Director)	Retired 16 November 2017
Mr Stephen Johns (Independent Director)	
Ms Anne Keating (Independent Director)	Retired 16 November 2017
Ms Rebecca McGrath (Independent Director)	
Mr Danny Peeters (Executive Director, Corporate)	
Mr Phillip Pryke (Independent Director)	
Mr Anthony Rozic (Deputy Group Chief Executive Officer and Chief Executive Officer, North America)	
Mr Jim Sloman OAM (Independent Director)	
Ms Penny Winn (Independent Director)	Appointed 1 February 2018

Details of the Directors' qualifications and experience are set out on pages 67 to 68 in this Directors' report.

COMPANY SECRETARY

The Company Secretary of the Company and GFML during and since the end of the financial year was Carl Bicego. Details of his qualifications and experience are set out on page 68 in this Directors' report.

DIRECTORS' MEETINGS (GL AND GFML)

The number of Directors' meetings held (including meetings of committees of Directors) and the number of meetings attended by each of the Directors during the financial year were:

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
Directors	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Mr Ian Ferrier	10	10	4	4	3	3	–	–
Mr Gregory Goodman	10	10	–	–	–	–	–	–
Mr Philip Fan[2]	6	6	1	1	–	–	2	2
Mr John Harkness[2]	6	6	1	1	–	–	2	2
Mr Stephen Johns[3]	10	10	4	4	–	–	2	2
Ms Anne Keating[2]	6	6	–	–	1	1	2	2
Ms Rebecca McGrath	10	10	–	–	3	3	4	4
Mr Danny Peeters	10	10	–	–	–	–	–	–
Mr Phillip Pryke	10	10	4	4	3	3	–	–
Mr Anthony Rozic	10	10	–	–	–	–	–	–
Mr Jim Sloman	10	10	–	–	3	3	4	4
Ms Penny Winn[4]	3	3	2	2	–	–	2	2

1. Reflects the number of meetings individuals were entitled to attend.
2. Mr Philip Fan, Mr John Harkness and Ms Anne Keating retired as Directors on 16 November 2017.
3. Mr Stephen Johns became a member of the Risk and Compliance Committee on 16 November 2017.
4. Ms Penny Winn was appointed as a Director on 1 February 2018.

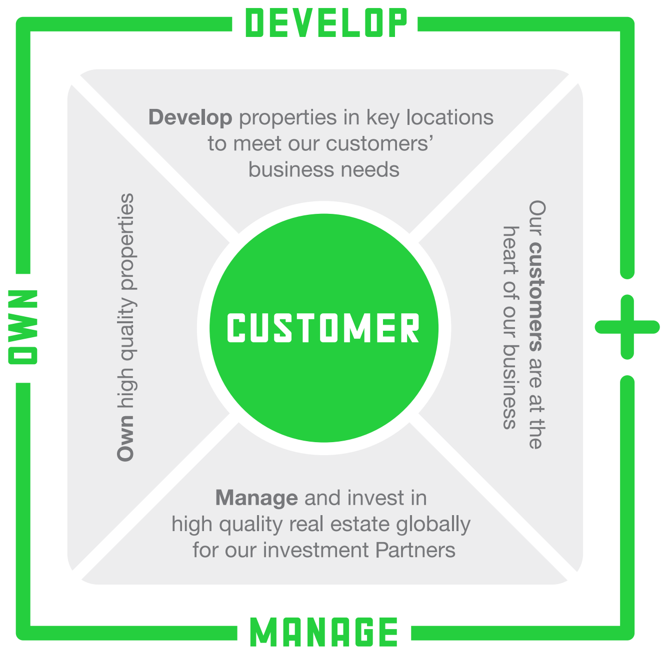
OPERATING AND FINANCIAL REVIEW

Goodman strategy

Goodman's vision is to be a global leader in industrial property. This vision is executed through the integrated "own+develop+manage" business capabilities.

The business capabilities are supported by five strategic "pillars":

+ **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, investment partners, suppliers and employees;
+ **Quality product and service** – deliver high quality product and customer service in key logistics markets globally by actively leveraging Goodman's industrial sector expertise, development and management experience and global operating platform;
+ **Culture and brand** – promote Goodman's unique and recognisable brand and embed Goodman's core values across each operating division to foster a strong and consistent culture. The core values are:
  – Customer + Focus: "Be closer to the customer's world and their changing needs";
  – Innovative + Dynamic: "Be more creative in our thinking and more creative in our actions";
  – Open + Fair: "Be adaptable and considerate in our dealings inside and outside our business";
  – Performance + Drive: "Do what we say we'll do and make things happen"; and
  – Team + Respect: "Recognise the worth in each other and collaborate for better results";
+ **Operational efficiency** – optimise business resources to maximise effectiveness and drive efficiencies; and
+ **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.



DIRECTORS' REPORT
Continued

OPERATING AND FINANCIAL REVIEW CONTINUED

Financial highlights

	2018	2017	Change %
Revenue and other income before fair value adjustments on investment properties ($M)	1,999.0	2,101.5	(4.9%)
Fair value adjustments on investment properties including share of adjustments for associates and joint ventures (JVs) ($M)	673.8	446.7	50.8%
Revenue and other income ($M)	2,672.8	2,548.2	4.9%
Profit attributable to Securityholders ($M)	1,098.2	778.1	41.1%
Total comprehensive income attributable to Securityholders ($M)	1,300.3	659.5	97.2%
Operating profit ($M)	845.9	776.0	9.0%
Basic profit per security (¢)	61.1	43.5	40.5%
Operating profit per security (operating EPS) (¢)[1]	46.7	43.1	8.3%
Dividends/distributions in relation to the financial year ($M)	504.2	463.4	8.8%
Dividends/distributions per security in relation to the financial year (¢)	28.0	25.9	8.1%
Weighted average number of securities on issue (M)	1,798.8	1,787.3	0.6%
Total equity attributable to Securityholders ($M)	9,173.7	8,296.4	10.6%
Number of securities on issue (M)	1,800.8	1,789.1	0.7%
Net tangible assets per security ($)[2]	4.64	4.21	10.2%
Net assets per security ($)[2]	5.09	4.64	9.7%
External assets under management ($B)	35.1	30.5	15.1%
Development work in progress ($B)[3]	3.6	3.5	2.9%
Gearing (%)[4]	5.1	5.9	
Interest cover[5] (times)	16.2	9.5	
Liquidity ($B)	3.4	3.2	
Weighted average debt maturity (years)	6.9	3.7	

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during FY18, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved. Operating profit comprises profit attributable to Securityholders adjusted for net property valuations gains, non-property impairment losses, net gains/losses from the fair value movements on derivative financial instruments and unrealised fair value and foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items e.g. the share based payments expense associated with Goodman's Long Term Incentive Plan (LTIP).
The Directors consider that Goodman's operating profit is a useful means through which to examine the underlying performance of the business, notwithstanding that operating profit is not an income measure under International Financial Reporting Standards.
2. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.
3. Development work in progress is the end value of ongoing developments across Goodman and its managed partnerships.
4. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments included in other financial assets of $154.3 million (2017: $169.8 million) that hedge the net investments in Continental Europe and the United Kingdom. Total interest bearing liabilities are grossed up for the fair values of derivative financial instruments included in other financial liabilities of $31.9 million (2017: $nil) that hedge the net investment in Continental Europe.
5. Interest cover is operating profit before net finance expense (operating) and income tax (operating) divided by the net finance expense (operating), excluding capitalised borrowing costs.

Overview

Goodman achieved an operating profit of $845.9 million for FY18, compared to $776.0 million for the prior year, which equated to an operating EPS of 46.7 cents, up 8.3% on FY17. Goodman's overseas operations contributed 63% of the Group's operating profit. Dividends and distributions relating to FY18 performance increased to 28.0 cents per security, up 8.1% on the prior year.

Rising urban populations and advances in technology have continued to drive the growth in e-commerce while automation and use of robotics in supply chains has improved the speed of delivery to consumers. This has increased customer demand for warehouses and industrial real estate close to major urban centres, which has been a key factor in Goodman's operating performance in FY18. At the same time, investment demand for logistics assets has continued to be strong, with further compression of capitalisation rates during FY18.

Property investment earnings were in line with expectations, although decreased slightly to $384.8 million from $396.7 million in the prior year due to the completion of the portfolio repositioning programme. Goodman's property portfolios are concentrated in the large, urban centres which the Directors believe will see higher valuation growth over the long term. The high quality of these portfolios resulted in strong leasing activity and like for like rental growth of 3.2% during FY18, with occupancy remaining high at 98%. Valuation growth was again strong across the portfolios and the weighted average capitalisation rate at 30 June 2018 was 5.5% (2017: 5.9%).

At 30 June 2018, Goodman's total assets under management (AUM), including directly owned assets, were $38.3 billion (2017: $34.6 billion) and external AUM, excluding directly owned assets, were $35.1 billion (2017: $30.5 billion). As a consequence of the increase in external AUM, base management fee income increased in FY18 and portfolio performance fee income has also been recognised as a result of the consistently strong total returns delivered in the managed partnerships over several years. Management earnings during the year increased to $316.5 million from $266.6 million.

Asset pricing has meant that development has continued to be the best way to access high quality assets in the target locations. Development earnings were $490.6 million in FY18 compared to $482.9 million in the prior year. As at 30 June 2018, development work in progress (WIP) was $3.6 billion across 80 projects. The majority of development activity continued to be in the Group's managed partnerships. As at 30 June 2018, 76% of WIP was in partnerships or on behalf of third parties.

The debt refinancing programme that was completed during 1H, having been started in FY17, has provided the Group with an extended debt maturity profile at contemporary interest rates and Goodman has maintained its prudent approach to capital management, with gearing at 5.1% at 30 June 2018. This is consistent with the focus on achieving sustainable long-term growth for Securityholders.

Goodman's statutory profit attributable to Securityholders for FY18 was $1,098.2 million, an increase of $320.1 million compared with FY17. This increase was primarily due to the strong property valuation gains in FY18 and the debt restructure expense of $82.8 million in FY18 compared to the fair value adjustments on debt modification of $173.1 million and debt restructure expense of $32.2 million in the prior year.

Analysis of performance

Goodman's key operating regions are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (primarily Germany, France and Poland), United Kingdom and the Americas (North America and Brazil). The operational performance can be analysed into property investment earnings, management earnings and development earnings, and the Directors consider this presentation of the consolidated results facilitates a better understanding of the underlying performance of Goodman given the differing nature of and risks associated with each earnings stream.

Property investment earnings consist of gross property income (excluding straight lining of rental income), less property expenses, plus Goodman's share of the operating results of managed partnerships that is allocable to property investment activities which excludes the Group's share of property revaluations and derivative mark to market movements. The key drivers for maintaining or growing Goodman's property investment earnings are increasing the level of AUM (subject also to Goodman's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and changes in financing arrangements.

Management earnings comprise management income plus Goodman's share of the operating results of managed partnerships that is allocable to management activities. The key drivers for maintaining or growing management earnings are activity levels, asset performance, and increasing the level of AUM, which can be impacted by property valuations and asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across Goodman's managed partnerships.

Development earnings consist of development income, plus Goodman's share of the operating results of managed partnerships that is allocable to development activities, plus net gains or losses from disposals of investment properties and equity investments that are allocable to development activities, less development expenses. The key drivers for Goodman's development earnings are the level of development activity and development margins and the continued availability of third party capital to fund development activity.

DIRECTORS' REPORT
Continued

OPERATING AND FINANCIAL REVIEW CONTINUED

Analysis of performance continued

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for FY18 are set out in the table below:

	Note	2018 $M	2017 $M
Analysis of operating profit			
Property investment earnings		384.8	396.7
Management earnings		316.5	266.6
Development earnings		490.6	482.9
		1,191.9	1,146.2
Operating expenses		(249.4)	(248.2)
		942.5	**898.0**
Net finance expense (operating)[1]		(44.4)	(54.0)
Income tax expense (operating)[2]		(47.6)	(49.3)
		850.5	794.7
Less: Attributable to other non-controlling interests		(4.6)	(18.7)
Operating profit		**845.9**	**776.0**
Adjustments for:			
Property valuation related movements			
– Profit on disposal of investment properties		–	49.0
– Net gain from fair value adjustments on investment properties	6(e)	71.1	180.9
– Share of fair value adjustments attributable to investment properties in associates and JVs after tax	6(f)(i), 6(f)(ii)	602.7	265.8
– Impairment losses	2	–	(93.0)
– Deferred tax on fair value adjustments on investment properties		(34.8)	(5.1)
		639.0	**397.6**
Fair value adjustments and unrealised foreign currency exchange movements related to liability management			
– Fair value adjustments on derivative financial instruments[3]	11	(131.4)	(45.6)
– Fair value adjustments on debt modification	11	–	(173.1)
– Share of fair value adjustments on derivative financial instruments in associates and JVs	6(f)(i), 6(f)(ii)	(34.3)	(50.6)
– Unrealised foreign exchange (losses)/gains[3]	11	(8.7)	25.5
		(174.4)	(243.8)
Other non-cash adjustments or non-recurring items			
– Straight lining of rental income		0.8	(0.3)
– Restructure costs	2	–	(24.2)
– Share based payments expense	2	(125.6)	(85.4)
– Net capital losses not distributed and tax deferred adjustments		(4.7)	(9.6)
– Debt restructure/modification expense	11	(82.8)	(32.2)
		(212.3)	(151.7)
Profit attributable to Securityholders		**1,098.2**	**778.1**

1. Net finance expense (operating) excludes derivative mark to market, unrealised foreign exchange movements and debt restructure/modification expenses.
2. Income tax expense (operating) excludes the deferred tax movements relating to investment property valuations.
3. The losses in the Goodman income statement associated with movements in foreign currency exchange rates should be compared with the foreign currency translation gains of $192.6 million reported in the statement of comprehensive income and reserves.

Property investment

Property investment earnings in FY18 of $384.8 million decreased by 3% compared to the prior year and comprised 32% of the total (2017: 35%). The decrease was due to asset disposals in both FY17 and FY18, partly offset by increase in cornerstone income, with like for like net property income up 3.2% compared to FY17. The Group's portfolio repositioning programme is substantially complete, with the portfolios now concentrated in large, wealthy consumer dominated cities around the world, where barriers to entry are high, land is scarce and, in some cases, supply is negative.

This repositioning has improved the overall quality of the portfolios and delivered strong occupancy globally and improved rental growth, as customers from multiple industries compete for space close to consumers. The increased demand from e-commerce, data centre users and urban renewal continues to put pressure on land use and availability, and Goodman's portfolios should see higher valuation growth and returns over the long term.

Across the partnership portfolios, Goodman leased 3.5 million square metres during FY18, which equated to $428.7 million of annual property income and occupancy was maintained at 98%.

Gearing in the managed partnerships has continued to be at the lower end of its target ranges as a result of recent asset sales, which has been appropriate given the levels of ongoing development activity. While a higher level of gearing would have improved the short-term returns, Goodman's strategy has been to position Goodman and its managed partnerships for sustainable long-term growth.

Urban renewal

During FY18, the final proceeds from the sales of the first phase of urban renewal properties were received, with these investment properties reflected as disposals. The Group has continued to progress the planning and rezoning of future precincts.

Management

Management earnings in FY18 of $316.5 million increased by 19% compared to the prior year and comprised 27% of total operating earnings (2017: 23%). During FY18, external AUM increased by 15% to $35.1 billion from $30.5 billion, as development completions, valuation growth and foreign currency impacts were significantly greater than asset disposals. As a consequence, base management fee income increased and this was supplemented by ongoing leasing and transactional fees.

In addition, the consistently high partnership returns over the past few years resulted in a growth of portfolio performance fee revenue during FY18, primarily in Australia and Asia. For FY18, the managed partnerships reported average total returns of 15%, a reflection of both the overall quality of the portfolios and the level of profitable development activity being undertaken by the managed partnerships. Portfolio performance fess represented around 25% of the management earnings.

Development

In FY18, development earnings were $490.6 million, an increase of 2% on the prior year and comprised 41% of total operating earnings (2017: 42%). At 30 June 2018, Goodman had $3.6 billion of development WIP, which comprised 80 projects in 12 countries with a forecast yield on cost of 7.2%.

Development earnings were a significant contributor in all regions with development activity benefiting from the growth of e-commerce, changes in consumer spending and customers seeking efficiencies in their supply chain networks. Goodman still sees development as the best means of accessing high quality assets given the strength in market pricing at 30 June 2018.

Nevertheless, Goodman maintained its prudent approach to development activity, including:

+ capital partnering of developments;
+ limiting development commencements without a leasing commitment to supply constrained, well-located, proven logistics locations, where demand for high quality industrial properties has been strengthening; and
+ targeting new developments in the large, wealthy consumer dominated cities around the world, with limited land supply.

This has been reflected in the fact that on completion 87% of completed developments in FY18 had been leased to customers, while 80% were developed on behalf of third parties or partnerships.

Operating expenses

For FY18, operating expenses increased to $249.4 million from $248.2 million. Global inflationary increases have offset savings from the United Kingdom restructure, which commenced in FY17 but was completed this year. In addition, the increasing shift of development activity to the managed partnerships has resulted in a lower allocation of employee expenses to developments. This is offset by higher development management fee revenues.

Goodman has continued to focus its operations on key locations. Headcount was maintained in most regions but has decreased in Asia where Goodman has outsourced various property on site staff activities. The majority of this cost was recharged to the partnerships so it has had minimal impact on employee expenses.

Net finance expense (operating)

Net finance expense (operating), which excludes derivative mark to market, unrealised foreign exchange movements and debt restructure/modification expenses, decreased to $44.4 million from $54.0 million. This was due to a combination of lower levels of net debt (interest bearing liabilities less cash) and lower interest rates, partially offset by a decrease in capitalised interest, as more development activity was undertaken directly by the managed partnerships rather than by Goodman.

Income tax expense (operating)

Income tax expense (operating) for FY18 at $47.6 million (2017: $49.3 million) is broadly consistent with the prior year. A significant proportion of Goodman's earnings related to GIT and its controlled entities, which are "flow through" entities under Australian tax legislation, meaning Securityholders (and not GIT) are taxed on their respective share of income.

DIRECTORS' REPORT
Continued

OPERATING AND FINANCIAL REVIEW CONTINUED

Capital management

Goodman's capital management initiatives and financial risk management (FRM) framework have been designed to deliver competitive debt costs, a natural currency hedge and diversified sources of sustainable funding for the Group through the cycle. Following changes to the FRM policy and credit rating upgrades from both Standard & Poor's (to BBB+) and Moody's (to Baa1) in the prior financial year, the Group took advantage of the positive market conditions during FY18 and undertook a significant liability management programme which included:

+ $1.9 billion in new bonds issued, including US$525 million United States 144A/Reg S notes maturing in 2028, US$325 million 144A/Reg S notes maturing in 2037 and €500 million Reg S notes maturing in 2025;
+ repurchase of $327.0 million hybrid securities (Goodman PLUS) issued by Goodman PLUS Trust; and
+ part repurchase of shorter-dated bonds denominated in GBP and USD.

These initiatives delivered a lower cost of funding and longer-dated debt. At 30 June 2018, the Group had a weighted average debt maturity of 6.9 years (2017: 3.7 years) and had available liquidity of $3.4 billion. Gearing remains low at 5.1% (2017: 5.9%) and interest cover is 16.2 times (2017: 9.5 times), which provides significant headroom relative to Goodman's financing covenants.

As a consequence of this strong liquidity position, the distribution reinvestment plan was not in operation during the year and the final declared dividends and distributions were 14.25 cents per security. The total dividends and distributions in relation to FY18 were 28.0 cents per security, with an interim distribution of 13.75 cents per security having been paid in February 2018.

In addition, during FY18 Goodman and its managed partnerships refinanced over $5 billion of bank debt and secured third party equity commitments of $1.4 billion to provide liquidity for ongoing acquisition and development opportunities.

Summary of items that reconcile operating profit to statutory profit

Property valuation related movements

The net gain from fair value adjustments on investment properties of $71.1 million (2017: $180.9 million) related to those assets directly held by Goodman, principally in Australia. The decrease in gains compared to the prior year was partly due to a particularly strong market movement in FY17, partly due to the Group having a smaller directly held portfolio and partly due to the gains in FY17 from assets subject to urban renewal. During FY18, there have been no changes in zoning for directly held assets that may have urban renewal potential.

Goodman's share of net gains from fair value adjustments attributable to investment properties in managed partnerships increased to $602.7 million in FY18 from $265.8 million in the prior year. Increases occurred in most regions due to the quality of the property portfolios, following the asset disposal programme and focused development in key markets, improved leasing outcomes and continued investor demand for industrial assets. The valuations in FY18 were supplemented by the contribution from North America of $183.3 million relating to completion of development assets. During FY18, weighted average capitalisation rates for Goodman's stabilised property portfolios decreased from 5.9% to 5.5%.

There were no impairment losses associated with the Group's inventories during FY18.

Fair value adjustments and unrealised foreign currency exchange movements related to liability management

The statutory profit included unrealised fair value losses of $131.4 million on derivative financial instruments and $8.7 million of unrealised foreign exchange losses on certain interest bearing liabilities that do not qualify for net investment hedging.

Goodman's policy is to hedge between 65% and 90% of the net assets of these foreign operations. Where Goodman invests in foreign assets, it will borrow in that currency or enter into derivative financial instruments to create a similar liability. In so doing, Goodman minimises its net asset and income exposures to those currencies. The unrealised fair value movement of the derivative financial instruments (up or down) is recorded in the income statement; however, the foreign currency translation of the net investment that is being hedged is recorded directly in reserves. In FY18, the movement in reserves attributable to foreign currency movement was a gain of $192.6 million.

Other non-cash adjustments or non-recurring items

The principal other non-cash adjustments or non-recurring items for FY18 related to:

+ share based payments expense of $125.6 million for Goodman's LTIP, up from $85.4 million in FY17, primarily a result of the increasing Goodman security price (refer to the remuneration report); and
+ debt restructure expense of $82.8 million in relation to the liability management initiatives in 1H.

Statement of financial position

	2018 $M	2017 $M
Stabilised investment properties	1,624.3	1,833.8
Cornerstone investments in managed partnerships	6,086.5	4,967.4
Asset held for sale	–	203.6
Development holdings	1,993.6	2,371.9
Goodwill and intangible assets	816.7	771.9
Cash	2,406.8	2,095.1
Other assets	531.5	467.5
Total assets	**13,459.4**	**12,711.2**
Interest bearing liabilities	3,081.5	2,878.3
Other liabilities	1,204.2	1,210.7
Total liabilities	**4,285.7**	**4,089.0**
Other non-controlling interests	–	325.8
Net assets attributable to Securityholders	**9,173.7**	**8,296.4**

The majority of the stabilised investment properties are in Australia and the carrying value decreased by $209.5 million to $1,624.3 million at 30 June 2018. This was primarily due to disposals of $346.2 million in assets, including urban renewal, partially offset by valuation uplifts of $71.1 million.

The value of Goodman's cornerstone investments in managed partnerships, which excludes the Group's share of development assets in the partnerships, increased by $1,119.1 million to $6,086.5 million, due to the valuation uplifts across the portfolios, ongoing development completions and the newly created Goodman Brazil Logistics Partnership, partly offset by asset rotation.

Goodman's development holdings (which includes the Group's share of development assets in the partnerships) decreased during the year by $378.3 million to $1,993.6 million. This decrease was due to development completions and settlements in Continental Europe and the United Kingdom during FY18. Development activity was maintained at similar levels to FY17 and at 30 June 2018, the end value of development WIP was $3.6 billion (2017: $3.5 billion). Goodman continued to undertake approximately three quarters of total development activity in partnerships and this has contributed to the declining direct exposure to development assets.

At 30 June 2018, the principal goodwill and intangible asset balances were in Continental Europe and the United Kingdom. The movement during FY18 related to changes in foreign currency exchange rates and there have been no impairments or reversals of impairments.

The Group's cash and interest bearing liabilities should be considered together. On a net basis, the liability was $674.7 million at 30 June 2018 compared to $783.2 million at 30 June 2017; however, the weighted average maturity of the debt was much greater following the refinancing during the year. At 30 June 2018, interest bearing liabilities included $215.9 million of GBP denominated notes and $28.3 million of secured bank debt in Brazil, that were repaid in July 2018 out of the Group's cash balances.

Other assets included certain receivables and derivative financial instruments. The movements during FY18 relate to increases in receivables from management income and also indirect tax.

Other liabilities included trade and other payables, the provision for the distribution to Securityholders, fair values of derivative financial instruments and tax liabilities (including deferred tax). The movement during the year is a result of changes in the fair values of derivatives and timing of other cash payments.

Cash flow

	2018 $M	2017 $M
Operating cash flows	1,161.2	586.4
Investing cash flows	(26.5)	730.0
Financing cash flows	(799.2)	(556.3)
Net increase in cash and cash equivalents held	335.5	760.1
Cash and cash equivalents at the beginning of the year	2,095.1	1,337.0
Effect of exchange rate fluctuations on cash held	(23.8)	(2.0)
Cash and cash equivalents at the end of the year	**2,406.8**	**2,095.1**

Operating cash flows increased relative to the prior year, primarily due to the timing of development settlements in Continental Europe, with certain large projects, that were in progress at 30 June 2017, being completed and settled in FY18, having been funded by Goodman through to completion. The timing of development completions relative to the reporting date generally has a significant impact on overall operating cash flows.

Investing cash flows primarily related to proceeds from the disposal of investment properties and the net investments in Goodman's managed partnerships. During FY18, Goodman received proceeds of $668.1 million from disposals of investment properties in Australia and the Group's investment in Arlington Business Parks Partnership and invested $571.1 million in its managed partnerships, principally in Japan, Continental Europe and North America to fund development activities. In addition, there were cash outflows of $118.1 million in respect of capital expenditure on investment properties. In FY17, the sale proceeds from urban renewal had a significant impact on investing cash flows.

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities. The principal financing cash outflows were the distributions paid to Securityholders and coupons paid to holders of Goodman PLUS. In addition, the Goodman PLUS securities were repurchased in September 2017 at their face value of $327.0 million.

Outlook

For FY19, market conditions are expected to remain favourable for the industry and Goodman is strategically well placed given its financial and operational strength. The Board sets targets annually and reviews them regularly. As a result, forecast operating profit for FY19 is $913 million, which equates to operating EPS of 50.0 cents, up 7% on FY18. The forecast distribution of 30.0 cents per security is also up 7% on FY18.

Further information as to other likely developments in the operations of Goodman and the expected results of those operations in future financial years has not been included in this Directors' report because disclosure of the information would be likely to result in unreasonable prejudice to Goodman.

DIRECTORS' REPORT
Continued

OPERATING AND FINANCIAL REVIEW CONTINUED

Risks

Goodman identifies operational risks for each of its regions as part of its strategy process. The key risks, an assessment of their likelihood of occurrence and consequences and controls that are in place to mitigate the risks are reported to the Board annually.

Goodman has established formal systems and processes to manage the risks at each stage of its decision making process. This is facilitated by a Group Investment Committee comprising senior executives, chaired by the Group Chief Executive Officer, which considers all major operational decisions and transactions. The Group Investment Committee meets on a weekly basis.

The Board has separate committees to review and assess key risks. The Risk and Compliance Committee reviews and monitors material risks in Goodman's risk management systems, including market risks, operational risks, sustainability, regulation and compliance and information technology. The Audit Committee reviews and monitors financial risk management and tax policies.

The key risks faced by Goodman and the controls that have been established to manage those risks are set out below:

	Risk area	Mitigation
Capital management	Ensuring long-term availability of funding from both investors and financial institutions to support the sustainability of the business.	+ Board approved financial risk management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Board + Diversification of debt funding sources and maturities + Diversification of investment partners.
Technology change and disruption	Through advancement in technology (as seen through automation/robotics, investment in driverless vehicles and drone technology), there is a longer-term risk that warehouses become obsolete and not fit for purpose through their specialisation and/or location.	+ Key gateway city strategy – urban, infill locations support re-usability of property + Generic building design – ease to reconfigure for another customer + Geographic diversification.
Economic environment	Headline economic indicators suggest the world is getting back on track with GDP growth. However, there are still concerns. The recovery has been slow, productivity growth remains weak and investment growth is subdued. In many countries, real incomes have been stagnant for many years. This continues to present a challenging operating environment.	+ Global diversification of Goodman's property portfolios + Focus on core property portfolios in key gateway locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks.
Governance, regulation and compliance	Non-compliance and changes to the regulatory environments (including tax) impact Goodman's business, including its reputation.	+ Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Group Investment Committee.
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, contamination, earthquakes, adverse weather conditions and other environmental factors, along with general contractor capability.	+ Review of development projects by the Group Investment Committee + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short term obsolescence + Internal audit reviews with reporting to the Risk and Compliance Committee + Insurance programme, both Goodman and general contractor + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Board oversight including limits with respect to speculative development.

	Risk area	Mitigation
Asset management and leasing	Leasing risk exposures can reduce returns from Goodman's portfolios. Adverse weather events and other environmental factors can adversely affect returns.	+ Key gateway city strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Group Investment Committee + Review of individual assets with respect to climate change impacts + Capital expenditure programmes keeping pace with property lifecycle
Concentration to counterparties and markets	Over-exposure to customers and market may limit growth and sustainability opportunities.	+ Diversification of customer base and lease expiry + Diversification of capital partners and partnership expiries
People	Retaining the executive management team, who support the sustainability of the business.	+ Succession planning for senior executives + Competitive remuneration structures + Performance management and review
Information and data security	Maintaining security of IT environment and ensuring continuity of IT applications to support sustainability and growth.	+ Reporting of risks and management activity + Managed security monitoring + Disaster recovery and business continuity planning and testing

DIVIDENDS AND DISTRIBUTIONS

Goodman Limited did not declare any dividends during the financial year (2017: $nil).

During FY18, Goodman Industrial Trust declared and accrued distributions of 23.0 cents per security (2017: 25.9 cents per security), amounting to $414.2 million (2017: $463.4 million).

During FY18, GLHK declared and accrued a dividend of 5.0 cents per share, amounting to $90.0 million. In FY17, GLHK declared and paid a dividend of 1.0 cent per security, amounting to $17.8 million relating to performance in FY16.

Distributions declared during the current financial year by Goodman PLUS Trust, a controlled entity of Goodman Industrial Trust, to holders of Goodman PLUS (other non-controlling interests) were $4.6 million (2017: $18.7 million).

SECURITIES ISSUED ON EXERCISE OF PERFORMANCE RIGHTS

During the financial year, Goodman issued 11,642,734 securities as a result of the vesting of performance rights. The amount paid by the employees on exercise of these securities was $nil.

No performance rights have vested since the end of the financial year.

UNISSUED SECURITIES UNDER PERFORMANCE RIGHTS

At the date of this Directors' report, unissued securities of Goodman under performance rights were:

Expiry date	Exercise price $	Number of performance rights[1]
Sep 2022	–	16,431,311
Sep 2021	–	19,652,600
Sep 2020	–	16,764,310
Sep 2019	–	8,458,136
Sep 2018	–	3,493,061

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited and excludes 10,635,205 of performance rights where the intention is to cash settle.

All performance rights expire on the earliest of their expiry date; the day that vesting conditions become incapable of satisfaction or are determined by the Board to not be satisfied; or following the termination of the employee's employment (other than in the event of special circumstances).

DIRECTORS' REPORT
REMUNERATION REPORT – AUDITED

Dear Securityholders,

Goodman has continued to deliver strong financial results for Securityholders in FY18. These are underpinned by the expertise of our people and the consistent long-term decision making and collaboration across our international businesses. Importantly, these results were delivered while continuing to improve the financial position of the Group and the quality of our assets.

This has culminated in:

+ Operating EPS of 46.7 cents per security for FY18 increasing by 8.3% on the prior year with compound annual growth rate (CAGR) of 7.6% over five years; and
+ TSR for one, three and five years of 26%, 69.5% and 135.2%, significantly outperforming the ASX100 (our comparator group).

As a result of Goodman's sustained strong growth, our Securityholders, along with our people, have been able to benefit from the rewards generated by this strong outperformance over recent years.

Remuneration approach

Goodman's fundamental approach to remuneration has focused on fostering the right culture across all levels of the organisation, influencing long-term decision making and collaboration globally. The remuneration strategy is designed to ensure that the balance between fixed pay and performance-based remuneration is aligned to Securityholders' desire for sustainable long-term EPS growth and ultimately security performance. Securityholders and employees are mutually impacted although Securityholders' interests are the priority before awards of both short-term and long-term incentives are granted to employees.

Ensuring the alignment of all employees globally in the delivery of the Group's strategy has proven successful for Goodman over the long term. In a highly competitive environment and a business heavily reliant upon having the right people to deliver the strategy, the Group has outperformed the sector largely due to its ability to focus, retain and motivate employees. Our LTIP has been a critical factor in achieving this.

The Board sets challenging and competitive hurdles for our remuneration through a rigorous bottom up assessment of the business, considering multiple factors and the desired sustainable outcomes for Goodman and with reference to our industry and peer group. Achieving these hurdles has resulted in significant Securityholder returns over the past five years, with the Group's TSR consistently outperforming the ASX100 TSR. Our people have also benefitted from the rewards generated by this outperformance, however, the Group must continue to deliver sustained returns in order for future vesting to occur.

Our approach is characterised by:

+ Significant emphasis on long-term, at risk remuneration over three to five years to incentivise all employees globally to focus on long-term value creation
+ Performance based incentives focussed on achieving sustained realised operating EPS growth and Security performance
+ Prioritising Securityholder returns before incentives are considered for employees
+ Keeping base remuneration stable and at relatively low levels
+ Favouring Group-wide performance criteria, which culminate in sustained returns as opposed to short-term objectives for individuals

In an era where employees are increasingly expecting companies to provide opportunities to develop their skills along with a share in the gains, it has been important for Goodman to extend an incentive scheme to all our employees globally that allows for significant performance-based rewards to all, as opposed to a few. Goodman believes that this has been an important and key point of difference in attracting and retaining the right talent for the future and creating the culture required to be collaborative and successful.

Yours sincerely,

Ian Ferrier AM
Chairman

Philip Pryke
Chairman, Remuneration & Nomination Committee

This remuneration report outlines the Board's remuneration policies and discloses the remuneration details for key management personnel (KMP). The remuneration report forms part of the Directors' report and has been audited in accordance with section 308(3C) of the Corporations Act 2001.

KMP are defined as those employees who have authority and responsibility for planning, directing and controlling the activities of Goodman. KMP comprise the Executive and Non-Executive Directors of the Company and other senior executives of Goodman. In this remuneration report, the Executive Directors and other senior executives are collectively referred to as "executives".

In addition to the changes in Directors (refer to page 34), from 1 July 2017, Mr Jason Little (General Manager Australia) ceased to be a KMP and Mr Michael O'Sullivan (Chief Risk Officer) became a KMP of the Group.

Information relating to the scope and activities of the Remuneration and Nomination Committee is available on Goodman's website and in the Corporate Governance Statement which is released with the Annual Report.

The report is set out as follows:

1. Who is Goodman?
2. Remuneration strategy
3. Delivering strong performance sustainably
4. Remuneration structure
5. Remuneration outcomes
6. Executives' remuneration (statutory analysis)
7. Non-Executive Directors' remuneration
8. Other remuneration disclosures.

1. WHO IS GOODMAN?

Goodman is a global property group, operating integrated property investment, development and management businesses in 16 countries. This requires balancing opportunities provided by changes in local and global market conditions against the available resources to achieve competitive returns on a sustainable basis.

While Goodman is in the real estate investment trust (REIT) sector, a significant proportion of the Group's activities can be characterised as an "operating business" with the "active" (i.e. non-rental income) aspects of Goodman's business model possessing a degree of complexity, geographical spread and capital commitments (including those from global capital partners) that often do not exist within the domestic REITs.

Goodman is aspiring to be a global leader in industrial property. To achieve this goal, Goodman aims to create the strongest possible alignment between all our people, Securityholders, our customers and capital partners to integrate long-term decision making and creation of the right culture at all levels. This reflects Goodman's core values and desire to be socially responsible by rewarding all employees when the Group is outperforming, not just senior executives.

Ensuring the alignment of all staff globally in the delivery of the Group's strategy has proven successful for Goodman over the long term. In a highly competitive environment and a business heavily reliant upon having the right people to deliver the strategy, the Group has outperformed the sector largely due to its ability to focus, motivate and retain employees.

In an era where employees are increasingly expecting companies to provide opportunities to develop their skills along with a share in the gains, it has been important for Goodman to offer an incentive scheme to all employees globally that offers significant performance based rewards to all, as opposed to a few. Goodman believes that this has been an important and key point of difference in attracting and retaining the right talent for the future and creating the culture required to be successful.

2. REMUNERATION STRATEGY

Principles of our remuneration strategy

The Group's fundamental principles in relation to its remuneration strategy are to influence executive and other employee behaviour within the organisation to:

+ support the Group's business objectives of delivering sustainable and competitive risk adjusted returns, through long-term decision making. The remuneration framework aims to align the outcomes for customers, capital partners, the communities we operate in and Securityholders with the remuneration outcomes of all employees over the long term. In doing so, our people are effectively united as partners in the business through the significant Group-wide Long Term Incentive Plan (LTIP); and
+ provide the operational flexibility required to allow allocation of resources through cycle and between geographic regions and business activity (property investment, development and management) while at the same time engendering collective responsibility and teamwork.

The execution of the principles is also complemented by the performance management system.

The Group is constantly working to determine the right balance of earnings from property investment, development and management in order to create sustainable long-term returns. This often means that decisions are made at the expense of one segment for the benefit of the whole or to sacrifice short-term gains for long-term returns for Securityholders.

Objectives of our remuneration strategy

In line with the Group's principles, the remuneration structure is designed to maximise alignment of employees with Securityholders. Key objectives are:

+ prioritising Securityholder returns by using operating earnings per security (EPS) as the main performance hurdle; it is absolute and reinforces the requirement to exceed targets on a cumulative basis, enhancing long-term alignment with Securityholders;
+ reinforcing adherence to the Group's core values – appropriate behavior being a minimum requirement for continued employment;
+ keeping base remuneration stable and relatively low to control costs;
+ emphasising Group-wide performance criteria, which culminate in sustained EPS and relative total securityholder return (TSR) measures as opposed to short-term objectives for individuals. The Board believes that the commercial decisions Goodman makes in fulfilment of its overall objectives, are best reflected in these two key indicators;
+ having all incentives at risk and requiring genuine and sustained outperformance to be achieved, and where they reflect superior returns for the Securityholders to which employees are aligned. Long-term incentives (LTI) are tested and vest over three to five years; and
+ incentivising all employees to focus on long-term value creation through LTI awards.

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2. REMUNERATION STRATEGY CONTINUED

Partnering Securityholders and all employees to achieve business objectives over the long term

One of the key components of our remuneration framework is aligning all employee's outcomes, not just the executives, with the principles and business objectives of the Group (and therefore Securityholders). The consistent operation of the LTIP over nine years has created a significant depth of understanding throughout the organisation, of the core objectives of the Group, delivering competitive and sustainable financial performance. The comprehensive distribution of LTI across the whole Group as a material component of remuneration is unique in the ASX100. Furthermore:

+ Goodman partners with its customers over the long term to help them deliver a quality service to their customers. This relationship can take many years to foster and transactions require employees at all levels to be dynamic and pragmatic, delivering appropriate solutions for the long term whether the value emerges today or in the future;
+ Goodman partners with third party capital with a patient and disciplined approach to make the appropriate long-term decisions; and
+ Goodman's employees are remunerated in a way which matches the appropriate time frames required to deliver the right outcome, not the expedient ones, and therefore a major driver of long-term value. In return, it requires commitment to the strategy and loyalty from our employees which is predominantly rewarded over the long term.

In the same way that Goodman partners with its capital partners and customers, all the Group's employees effectively partner with Securityholders through the LTIP. The focus on this form of remuneration and a reduced emphasis on short-term objectives in favour of Group-wide longer-term performance criteria, encourages employees to maximise value in all transactions whether this be short term or long term. Management must balance and plan so that the returns to Securityholders are consistent. This ultimately has benefited the Group, Securityholders and individuals.

This strategy is executed in practice through the LTIP:

+ LTI is a material component of all employee remuneration, where Goodman's performance and profitability are shared between Securityholders and all our employees, not just the executives;
+ at all levels, in all jurisdictions, across all divisions, all employees are aligned;
+ the performance measures are relatable globally to all components of the business and with the aim that every person is influenced to contribute to the performance of the Group; and
+ performance rights under the LTIP are capped at 5% of issued capital (at 30 June 2018 the number of rights was 4.2% of issued capital). As the number of securities used in the calculation of operating EPS includes those unvested performance rights that have already satisfied the performance hurdles, additional earnings must be generated in order for future grants to meet the operating EPS hurdles. This is considered by the Board in setting targets.

Importantly, LTI is all at risk and this is understood by employees. The measure of the success of the LTIP is reflected in:

+ significant tenure of senior management and building our business experience globally;
+ strong outperformance against our sector and comparator group over one, three and five years;
+ consistent outperformance of operating EPS hurdles whilst maintaining discipline and long-term focus; and
+ for FY18, the average contribution to overall remuneration across all employees in the Group, being generated from vesting equity was approximately 34%, reflecting strong vesting outcomes and significant security price growth from the time of grant, and a lesser emphasis on fixed remuneration and short-term incentives (STI) in favour of LTI.

These outcomes reflect five years of performance rights vesting, achieved through sustained outperformance and significant security price appreciation. Employees are active participants in the strategy, with performance rights equivalent to 4.2% of issued capital allocated to staff under the LTIP. Importantly, the total value of the allocation reflects significant security price appreciation (101% over the five years from 1 July 2013 to 30 June 2018) and operating profit results substantially ahead of targets. In addition, the value of this allocation is a small proportion of the increased business value (as represented by premium to net tangible assets (NTA) reflected in the security price) and has declined as a proportion of the Group's market capitalisation over the past five years.

3. DELIVERING STRONG PERFORMANCE SUSTAINABLY

Goodman has continued to deliver strong performance in FY18 with respect to financial returns against its comparator group (ASX 100) and its rolling three year operational hurdles. This has been achieved whilst continuing to improve the financial, operational, risk management and cultural strength of the organisation. The Board believes that the remuneration strategy and structure have influenced these outcomes and that employees have been rewarded appropriately.

In FY18, the Group delivered an operating profit of $845.9 million equating to a fully diluted operating EPS of 46.7 cents, an increase of 8.3% compared with FY17, ahead of budget (operating EPS of 45.7 cents) and representing a competitive result. The TSR performance for the Group was in excess of the operating EPS growth result, reflecting a higher rating being attributed to the Group's earnings. The Board believes this re-rating can be ascribed to several factors, primarily the strengthening in financial metrics and consistent long-term results.

3. DELIVERING STRONG PERFORMANCE SUSTAINABLY CONTINUED

The operating profit, operating EPS, TSR and other key financial performance measures over the last five years are set out below:

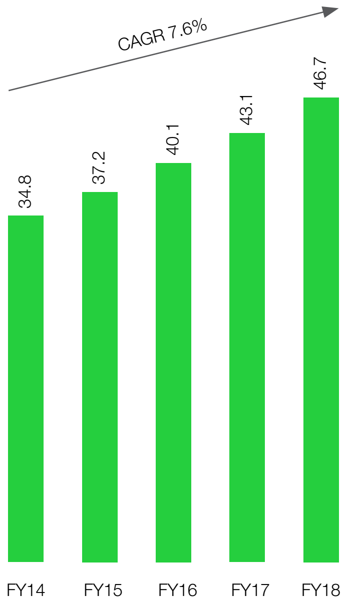
	2014	2015	2016	2017	2018
Operating profit ($M)	601.1	653.5	714.5	776.0	845.9
Operating EPS (¢)	34.8	37.2	40.1	43.1	46.7
Security price as at 30 June ($)	5.05	6.27	7.11	7.87	9.62
Dividends/distributions per security (¢)	20.7	22.2	24.0	25.9	28.0
TSR (%)	10.7	30.0	17.0	14.2	26.0
NTA per security ($)	2.88	3.46	4.10	4.21	4.64
Gearing (%)	19.5	17.3	11.8	5.9	5.1

Goodman's capacity to meet the operating EPS target and deliver strong TSR for FY18 was dependent on a range of key operational achievements under the integrated business model. The Group's operational platform is dynamic and continually adapting to the markets we operate in to achieve stable and sustained long-term growth. Consequently, the measures for performance are not static and the Board must consider appropriate key performance indicators (KPIs) in the context of the changing landscape to influence management to deliver appropriate risk adjusted returns for Securityholders.

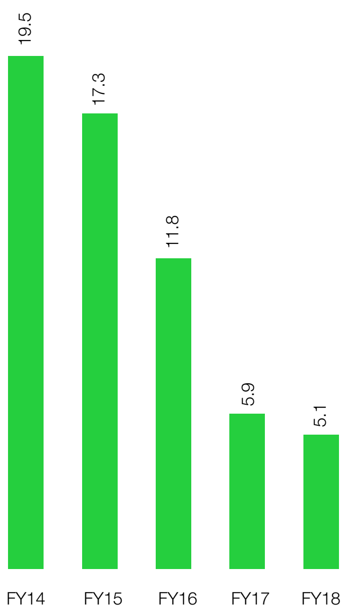
Our remuneration framework has allowed the Group to execute its strategy, sometimes employing countercyclical and tactical policies, which have constrained short-term earnings growth, but have been accommodated given the focus on the long-term sustainability of the business. These include:

+ selling assets to improve the portfolio and focus on long-term strategic assets with sustainable returns, notwithstanding lower net initial yield and reduced funds management revenue in the short term. The programme has seen the sale of over $13 billion in assets globally over the last six years, approximately one third of the total AUM at 30 June 2018;
+ remaining disciplined with respect to acquisitions despite availability of capital, and declining numerous opportunities that would have enhanced near term growth, but increased risk;
+ deleveraging the Group with gearing declining from 19.5% to 5.1% over the last five years, at the expense of higher short-term profitability, increasing financial strength and flexibility; and
+ transitioning development activities into the partnerships on a fee for service basis, foregoing development profit in the short term. However, this transition has reduced capital commitment, risk to the Group earnings and improved return on assets, with significant value emerging through development in the partnerships. This has in turn, driven partnership returns extending and augmenting long-term relationships with large capital partners, and opportunity for performance fees in the future.

Operating EPS (cents)



Gearing (%)



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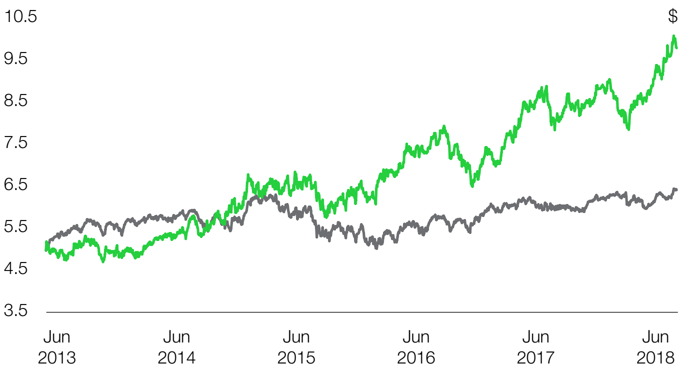
3. DELIVERING STRONG PERFORMANCE SUSTAINABLY CONTINUED

Goodman vs ASX100



The Board believes the execution of these activities should underpin less volatile and more sustainable earnings into the future, despite the additional financial constraints for the organisation in the short term. These strategies have been undertaken whilst still delivering competitive operating EPS and TSR.

The targets set each year reflect a responsible rate of growth which allow long-term improvements at an appropriate level of risk, including investment in new markets and strengthening customer and capital partner relationships and fostering employee engagement and improving engagement with communities.

The outcomes are facilitated by the focus on, and interaction of, STI and LTI measures. The overall performance of the Group should manifest in sustained operating EPS growth and, if appropriately achieved, in strong relative TSR. However, these targets are the culmination of a thorough process which also assesses multiple financial, human resource and environmental factors which are incorporated to deliver appropriate, risk adjusted, sustainable returns.

These considerations are not static, just as the business and markets we operate in are not static, and hence are not individually set as KPIs. However, the budget process is built from the ground up, includes all relevant factors and considers the desired outcomes, relative to our industry and peer group. The formal hurdles for performance are set at rational, but competitive and challenging levels, for the current environment.

The comprehensive results of the remuneration framework and financial outcomes for the Group and Securityholders are illustrated in the following charts and tables, which outline the transition of the business over the last five years, the improvement in the Group's key financial metrics over time alongside significant, sustained, outperformance against the ASX100 comparator group.

FY18 LTIP targets and results

Operating EPS growth

	1 year %	3 years %	5 years %
Hurdle	6.0	19.1	33.8
Achieved	8.3	25.5	44.1

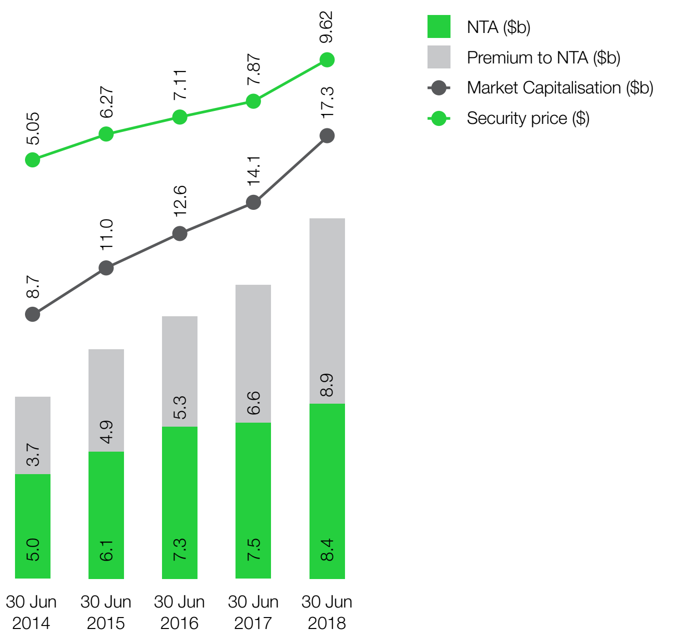
RTSR

The Group's three year TSR of 69.5%, whilst 2.5 times the ASX100 return, placed it in the 71st percentile relative to companies in the ASX100, resulting in 90% of the performance rights which are tested against RTSR, vesting.

	1 year %	3 years %	5 years %
GMG TSR	26.0	69.5	135.2
ASX100 TSR	12.1	27.9	59.7
ASX 200 REIT TSR	13.0	32.0	76.3

The remuneration framework has resulted in a strong alignment between remuneration outcomes for Goodman's employees and absolute and relative performance of Goodman. This is illustrated in the table below, which highlights the Goodman security price performance over the past five years and the increasing premium in the security price relative to the NTA. The premium to NTA is more than 100% at 30 June 2018.

Goodman NTA, the market premium and security price



Relative to other property groups, the results show significant attribution of value by the market in excess of NTA. The Board considers that this value reflects the quality and size of the active components of Goodman's business and the market's expectations on sustainability of earnings.

3. DELIVERING STRONG PERFORMANCE SUSTAINABLY CONTINUED

Listed property groups' premium to NTA comparison

Entity	NTA[2] 30 Jun 2018 $M	Market capitalisation 30 Jun 2018 $M	Premium to NTA 30 Jun 2018 $M	Premium to NTA 30 Jun 2018 %
Goodman (GMG)	**8,357**	**17,324**	**8,967**	**107**
Scentre Group (SCG)	22,575	23,374	799	4
Westfield Group (WFD)[1]	16,001	18,370	2,369	15
Stockland (SGP)	10,103	9,665	(438)	(4)
Dexus Property Group (DXS)	9,244	9,376	131	1
Vicinity Centres (VCX)	11,344	10,027	(1,316)	(12)
GPT Group (GPT)	9,046	9,082	36	–
Mirvac Group (MGR)	8,151	8,040	(111)	(1)
Lend Lease Group (LLC)	5,018	11,559	6,541	130
Average (excluding GMG)			**1,216**	

1. WFD market capitalisation based on security price on last trading day before completion of merger (30 May 2018).
2. The NTA of entities other than Goodman was based on 31 December 2017 financial statements. The Group's market capitalisation premium to NTA was $9.4 billion based on 31 December 2017 financial statements.

The strong alignment with performance is illustrated by the Group Chief Executives Officer's (Group CEO's) remuneration composition over the past five years.

Vested remuneration[1] of the Group CEO

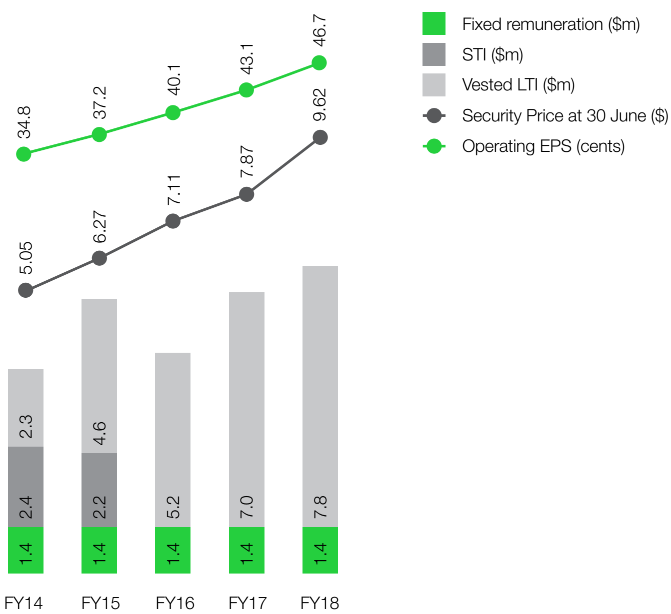
	2014	2015	2016	2017	2018
Fixed remuneration ($M)	1.4	1.4	1.4	1.4	1.4
STI ($M)	2.4	2.2	–	–	–
LTI[1] ($M)	2.3	4.6	5.2	7.0	7.8
Total remuneration ($M)	**6.1**	**8.2**	**6.6**	**8.4**	**9.2**
Proportion of STI and LTI (%)	77	83	79	83	85
Proportion of LTI (%)	38	56	79	83	85

1. Vested remuneration includes fixed remuneration, STI and LTI based on the number of performance rights that vested during the year at the closing security price on the day of vesting.

Importantly, 85% of the FY18 vested remuneration was in the form of LTI, reflecting consistent growth in operating EPS and security price over the period.

The chart below, comparing the growth in the Goodman security price with vested remuneration outcomes for the Group CEO since FY14, clearly shows the link between the remuneration framework and performance. It demonstrates the effectiveness of Goodman's strategy and remuneration structure on a long-term basis and also highlights the fact that the Group CEO has the vast majority of his remuneration at risk. The strong performance of the Group and the rise in security price have translated into higher remuneration. The Group CEO has again agreed to forego an STI award and will receive all incentive based remuneration in the form of LTI (in excess of 90% based on the nominal value of the intended award that will be made in FY19 – refer to section 5 Remuneration outcomes). The Group CEO (as do all other employees) relies upon continued outperformance to achieve vesting outcomes and future remuneration growth.

Group CEO vested remuneration, security price and operating EPS



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3. DELIVERING STRONG PERFORMANCE SUSTAINABLY CONTINUED

Underlying business outcomes have also been robust. The following tables provide a summary of these outcomes as at 30 June 2018:

General business outcomes	
Property investment + Total AUM of $38.3 billion + 1,700 customers + $1.4 billion of net property income (including managed partnerships)	+ Maintained portfolio occupancy rate at 98% and weighted average lease expiry of 4.8 years. Driven by the quality of the portfolio and the in-house service provided by Goodman; + Achieved like for like rental growth of 3.2%, a further reflection of the portfolio quality; + Transacted $4.4 billion of disposals in FY18 to maintain available liquidity and maximise value. This limited property investment and management earnings in the short term, but has resulted in a significantly higher quality portfolio which we believe will generate more sustainable and higher growth in the long term; and + Realised urban renewal assets with uplifts primarily recorded in prior years through valuations, not operating profit.
Development + WIP $3.6 billion + $3.6 billion completions + 80 projects, 12 countries	+ Completed $3.6 billion of developments for customers, 80% on behalf of third parties or partnerships; + Continued transitioning development business to the partnerships with significantly lower capital commitments, higher return on assets and lower volatility of earnings; + Maintained development work in progress at $3.6 billion across 80 projects in 12 countries improving margin and quality with a forecast yield on cost of 7.2%; and + Increased return on Goodman's development capital.
Management + $35.1 billion external AUM + $12.1 billion of available liquidity in the partnerships + 15% average total returns	+ Delivered average total returns of 15% across Goodman's managed partnerships; + Maintained or reduced leverage in partnerships through liability management initiatives and asset disposals; + Notwithstanding the asset rotation, increased external AUM to $35.1 billion across 16 managed partnerships; and + Expanded the partnerships with new third party equity commitments of $1.4 billion, a reflection of the alignment of our patient capital partners and the Group's disciplined approach to investment. At 30 June 2018, the partnerships had $12.1 billion of available liquidity in the form of equity, undrawn debt and cash.
Capital management + 5.1% gearing + $3.4 billion of available liquidity + 6.9 years weighted average debt expiry	+ Maintained Goodman's credit rating from Standard & Poor's and Moody's at BBB+/Baa1 respectively; + Maintained low gearing of 5.1% and increased available liquidity to $3.4 billion + Issued long-term debt with maturities of 8, 10 and 20 years in Europe and United States debt capital markets; + Procured or renewed debt facilities of $5.0 billion, across Goodman and its managed partnerships with improved terms; and + Continued consistent execution of strategy and disciplined behaviour resulting in sustained competitive long-term growth.
Corporate and social responsibility	+ Behavioural expectations consistent with Goodman's core values are an absolute individual requirement for eligibility to incentive allocation; + Continued focus on creating the right culture of transparency, innovation and sustainable practices to ensure the long-term success and viability of the business; + Having a social licence and an understanding of stakeholder requirements including environmentally sustainable properties and practices, social responsibility programmes and support through community activities, equity in remuneration practices across the organisation and commitment to creating a diverse workplace; and + Maintained remuneration policies that emphasise long-term incentives and performance.

4. REMUNERATION STRUCTURE

The remuneration framework is focused on influencing long-term decision making and collaboration across business units and international operations.

Fixed remuneration

Base salary	Comparatively low compared to similar roles in comparator group. Reviewed annually but a key objective is to not escalate unless compelling reasons exist (primarily change of role or significant market forces).

Short-term incentives

STI is a discretionary, at risk component, specific to achievement of financial and non-financial objectives. This structure is very transparent and aligns management with the EPS growth expectations of Securityholders.

Who is eligible to participate in the STI?	All permanent employees. The Group CEO agreed with the Board not to participate in the STI awards, to emphasis award for long term decision making across the organisation.
What is the form of the STI award?	For executives, 50% of the STI awards are paid in cash on finalisation of Goodman's full year result. 50% of the STI award is deferred and paid in cash after a period of 12 months and the deferred STI amount is subject to forfeiture under malus provisions (see below).
What is the maximum award participants may earn?	STI awards are capped at 150% for executives. Target STI for individuals is also compared to market-based remuneration data and their manager's own assessment of what an appropriate level of incentive compensation may be.
How is the STI pool determined?	The Board sets budget targets for the business annually. These targets are set relative to the market conditions, earnings visibility, financial structure and strategy and are challenging and appropriate. Targets will vary over time, through cycle and strategy, to ensure they remain contemporary. STI pool only considered once target operating EPS (as set in the budget) has been achieved for the relevant year; Securityholder returns are prioritised. Once the target operating EPS measure has been met, multiple factors (see Delivering strong performance section earlier) are considered in the process to calculate the overall size of the STI pool with reference to the intended focus on LTI.
How is the individual STI award determined?	STI rewards performance against objectives of the individual and the Group. The Group objectives include multiple factors as set from time to time, dependent on the market and strategy of the Group. These primarily fall into five groups: + property investment; + development; + management; + capital management; and + corporate and social responsibility. Adherence to the Group's core values is a minimum hurdle for the STI to vest. The performance of individuals is assessed through a detailed performance appraisal process based on contribution to defined outcomes, that reflect behavioural expectations, annual contribution to results as well as strategic and other contributions where these results or benefits may be reflected in future years.
Is there malus/ clawback?	The executives' STI awards are subject to 50% deferral for 12 months from the date of publication of Goodman's financial statements. This deferral period provides protection from malus. The Board has discretion to forfeit deferred amounts for material misstatement, fraud or adverse changes that would have affected the award where there is executive responsibility.

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4. REMUNERATION STRUCTURE CONTINUED

Long-term incentives

The Group's LTIP is an at-risk, equity plan that is open to all staff to create alignment with the interests of Securityholders over the long term.

+ No value is derived from the LTIP unless cumulative performance hurdles of operating EPS and relative TSR are met or exceeded, and employees have no entitlement over performance rights until they vest.
+ However, when performance achieves or exceeds long-term targets and performance rights vest, LTI represents the majority of remuneration for the executives and is a material component of remuneration for all employees.

Who is eligible to participate?	All permanent employees are eligible to participate in the LTIP.
What is the form of the award?	The LTIP awards performance rights.
What is the maximum LTI participants may earn?	When considering the overall size of LTI awards, the Board also considers the number of securities that could vest and the associated impact on the Group's operating EPS growth. Performance rights issued under the LTIP are capped at 5% of issued capital with vesting of approximately 1% per annum, assuming all hurdles are met and all employees remain employed. The Board considers the performance of the Group in comparison with the comparator group, amount of overall operating profit, competitive nature of the logistics sector at present and the value of the team in the local and global market place as appropriate.
How is the number of rights determined?	The number of rights is determined by dividing the maximum LTI by a nominal value, which adjusts for factors impacting the value of performance rights relative to securities tradeable on the market. These factors include time value, risk etc (for further details, see Pricing mechanism for allocation of LTI in section 4 below).
What are the performance measures?	Behaviour in accordance with core values is absolute and a minimum hurdle for any LTIP awards to vest. However, the Board believes that the commercial decisions Goodman makes in fulfilment of its overall objectives are best reflected in two key indicators, operating EPS and relative TSR: Operating profit is a measure of the cash earnings generated by the Group over time after excluding items such as the movement in the fair value of properties, derivative valuation movements and other non-cash (such as the share based payments expense) or non-recurring items, as set out earlier in the Directors' report. Goodman's approach aligns performance goals with realised operating EPS outcomes for Securityholders. The accounting fair value of the grant is excluded from operating profit in the numerator (but fully disclosed in statutory profit) given: + operating EPS includes all unvested performance rights that have satisfied the performance hurdles, in the weighted average number of securities reflecting the full potential future dilution impact on Securityholders; + the bulk of LTI are at risk for three to five years; and + the measure of the number of securities is more reliable than the fair value estimation which is dependent on factors such as security price, volatility, vesting probability and discount rates. For FY18, the 1,810.8 million weighted average number of securities used in calculating operating EPS, includes securities that have vested during the year plus 12.0 million securities which have achieved the required performance hurdles and will vest in September 2018 and September 2019. The method for calculating the operating EPS has been applied consistently since the LTIP was established in 2009 and is considered when setting the operating EPS target at the commencement of each year. Relative TSR is the cumulative Total Securityholder Return against the ASX100. Goodman is competing for investors in the Australian market and seeks to appeal to both domestic and international investors relative to the other investment alternatives on the ASX100. At 30 June 2018, Goodman was the 21st largest entity on the ASX with a market capitalisation of $17.3 billion. A significant proportion of the Group's activities can be characterised as an "operating business" with the "active" (i.e. non-rental income) aspects of Goodman's business model possessing sufficient complexity, geographical spread and capital commitments (including those from global capital partners) that often do not exist within the domestic REITs. For this reason, our comparator group captures a wider range of entities and our objective is to provide competitive return against this group through market cycles.

4. REMUNERATION STRUCTURE CONTINUED

Long-term incentives continued

	Operating EPS	RTSR
What is the weighting?	75%.	25%.
What are the vesting conditions?	Operating EPS awards are subject to achievement of a cumulative operating EPS hurdle, which is the combination of three year's individual operating EPS hurdles. This ensures that the appropriate balance between short and long-term challenges is incorporated. With the vast majority of remuneration through LTI, the focus remains on sustainable performance. Targets are disclosed to the market each year.	TSR awards are subject to achievement of cumulative total securityholder return relative to the ASX100 over a three year period: + 50% of awards vest for performance at 51st percentile; + 100% of awards vest for performance at 76th percentile or above; and + awards vest on a sliding scale between 50% and 100% for performance between the 51st and 76th percentile.
What is the rationale for the performance measures?	Operating EPS and RTSR represent the culmination of all the strategies and measures in a comprehensive manner and have the most direct and unambiguous relationship with Securityholder expectations. The long-term alignment of these outcomes for Securityholders with the remuneration outcomes of our employees is achieved through a significant emphasis on LTI for all employees, over and above fixed remuneration and STI. The Board believes that operating EPS and RTSR have the most direct relationship with expectations of Securityholders and have been in place for nine years. With increased volatility in global markets, the bias is towards tangible hurdles, to which all employees internationally can contribute: + TSR is influenced by many external factors over which executives have a limited control; + there is ultimately a strong correlation between achievement of operating EPS growth and high RTSR over time; and + given the international nature of Goodman's operations, and the inclusive LTIP across 100% of people in the Group, it is important to have a relatable and tangible measure that each employee globally can contribute to and connect with and hence operating EPS is given greater weighting. For the purpose of LTI, exceeding these targets each year over a rolling three year period is the gate for management potentially receiving performance based remuneration.	
What is the performance period?	Both operating EPS and RTSR performance are tested over three years starting from 1 July each year.	
How do the LTIP awards vest?	Subject to meeting performance hurdles, vesting occurs in equal tranches following the end of years three, four and five, provided participants remain employed by the Group.	
Is there malus/ clawback?	Subject to immediate forfeiture in circumstances where employees are dismissed for cause without notice (e.g. fraud or serious misconduct). LTI will also be forfeited where employees cease to be employed unless special circumstances exist.	
What rights are attached to the performance rights?	Performance rights have no Securityholder rights prior to vesting (e.g. distributions, voting, rights issue participation).	
What happens to LTIP upon termination?	Performance rights lapse upon leaving Goodman except in special circumstances (death, retirement and redundancy).	

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4. REMUNERATION STRUCTURE CONTINUED

Determining targets and outcomes

The Board considers many factors in its remuneration assessment. The process considers the results of the Group, the team and the individual. The performance of individuals in their own right is critical and assessed through a detailed performance appraisal process, which incorporates individual targets sitting alongside Group-wide objectives.

The overall performance of the Group should manifest in sustained EPS growth and if appropriately achieved, in competitive TSR. However, these targets are the culmination of a thorough process considering multiple other financial, human and environmental factors which should be incorporated in order to deliver the sustainable delivery of returns. These include but are not limited to:

+ appropriate risk adjusted return on assets and business margins;
+ net tangible asset growth;
+ financial leverage;
+ market cycle;
+ mix of geographies and activity types;
+ knowledge of targeted changes in operational structure of the business and risk; and
+ behaviour consistent with cultural values.

The Board has visibility over the changes in strategy, execution and outlook for the operations in the context of the markets we operate and the financial and social parameters required to ensure sustained performance.

These considerations are not static, just as the business and markets we operate in are not static, and hence are not individually set as KPIs. However, the budget process is built from the ground up, includes all these factors and considers the desired outcomes, relative to our industry and peer group. The formal hurdles for performance are set at rational, but competitive and challenging levels, for the current environment.

Using the same operating EPS measure for STI and LTI ensures that on an annual basis Securityholders returns are prioritised but long-term outcomes are not forfeited in order to achieve STI. In addition, lower weighting to STI in remuneration packages has de-emphasised the short-term outcomes over sustained performance. There is a significant correlation in sustainable historical operating EPS, the improvements in financial position and operational volatility, and security price performance.

The remuneration review approval process occurs in five stages:

+ The Board sets the remuneration strategy;
+ The Board determines the remuneration outcomes for the Group CEO;
+ remuneration outcomes for the other executives are determined relative to the Group CEO;
+ remuneration outcomes cascade through the business with reference to individual performance reviews; and
+ The Board approves final outcomes.

Multiple criteria are considered in order for the Group to offer a market competitive remuneration package which rewards both historical performance and provides sufficient incentive in the future. The approach to the Group CEO cascades down through the other executives.

The determination of remuneration awards each year under this framework considers potential outcomes, if all targets and performance hurdles are achieved, such that final remuneration results are appropriate for the competitive industry in which we operate and the complex nature of the global business. Consequently, the better Goodman performs over the long term, but in excess of minimum hurdles, the better the remuneration outcome for employees, but governed by a mechanism which does not disproportionately dilute Securityholders over time. Conversely, underperformance will result in limited or zero vesting and hence, significantly lower remuneration.

Pricing mechanism for allocation of LTI

For the purpose of determining LTI awards for employees, the Board values the performance rights with reference to the quoted price of Goodman securities on the ASX ($9.62 at 30 June 2018). The short-hand market convention is to consider the value of the LTIP grants by applying the face value of the securities. However, there are several fundamental differences between performance rights and actual Goodman securities trading on the market.

+ performance rights do not receive distributions (for the awards that the Board intends to make with regard to the FY18 performance, this was estimated to be $1.14 per performance right over the vesting period);
+ performance rights will only vest if hurdles are exceeded over a three year period, otherwise the rights will lapse. This results in a significant discount to value compared with securities tradeable today;
+ performance rights vest equally in three tranches over years three to five; and
+ significant weighting that is given to this form of long-term, at-risk incentive is relevant to peer comparisons in the global, REIT and ASX100 comparator groups.

Accordingly, performance rights are not equivalent in value to ordinary securities and will only become of equivalent value if Goodman meets or exceeds its three year hurdles and continues to perform well over the remaining period to actual vesting. This should follow strong financial returns to Securityholders.

The nominal value of Goodman securities is based on the security price of $9.62 at 30 June 2018, less an estimate of four annual distributions totalling $1.14, with resultant valuation of $8.48. The Board has determined the Group CEO (and all other employees) intended LTI allocation based on the nominal valuation, adjusted for the factors listed above which impact the value of the performance rights relative to securities tradeable on the market.

5. REMUNERATION OUTCOMES

The Board considers that the Group's results and the business outcomes in FY18 represent a strong performance. This follows sustained returns over five years both in absolute terms and relative to peers and strong positioning of the Group financially and operationally, and this is reflected in FY18 award of incentives to the executives and other employees.

Total remuneration allocation for the Group CEO has been set by the Board considering:

+ performance of the Group in comparison with the comparator group;
+ amount of overall operating profit and specific business outcomes as detailed in section 3 of the remuneration report
+ exceptional leadership both at a business and individual level across the Group;
+ competitive nature of the logistics sector at present and the value of the Group CEO in the local and global market place;
+ the Group CEO has again agreed not to take STI and all current incentive-based remuneration is in the form of LTI which are exposed to future performance and market risk until vesting; and
+ the tenure, experience and long-term approach of the Group CEO, as evidenced through his track record.

Group CEO key achievements

+ Delivered operating profit of $845.9 million and statutory profit of $1.098 billion;
+ Operating EPS growth of 8.3% versus FY18 target of 6% (cumulative operating EPS growth over 3 years of 25.5% vs target of 19.1%);
+ Outperformed ASX100 comparator group average TSR over one, three and five years;
+ Improved quality of the Group's $35.1 billion in external assets under management;
+ Maintained high quality, diversified and significant development activity with WIP at $3.6 billion;
+ Fostered exceptional leadership both at a business and individual level across the Group;
+ Maintained a disciplined execution of strategy, improving financial and operational positioning of the Group;
+ Maintained significant financial flexibility and strong balance sheet (gearing at 5.1%);
+ Expanded and consolidated partnership relationships, increasing available partnership liquidity to $12.1 billion;
+ Completed disposal of non-core operations in the UK and established a partnership in Brazil;
+ Maintained a strong risk management approach and disciplined allocation of capital;
+ Fostered a culture of inclusiveness and purpose, with Goodman Foundation and staff contributing $5.2 million to more than 95 community organisations; and
+ Continued progress on culture and values fostered within the business, and Goodman's purpose.

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5. REMUNERATION OUTCOMES CONTINUED

Components of the Group CEO vested remuneration in FY18

The FY18 results show strong alignment with performance as illustrated by the Group CEO's vested remuneration.

Vested remuneration includes fixed remuneration, STI and LTI based on the number of performance rights that vested during the year at the closing price on the day of vesting. It is used in this remuneration report to highlight the remuneration received by the executives during the year and differs from the statutory presentation of remuneration that amortises the deemed value of the performance rights at the dates of grant over the vesting periods.

The non-statutory analysis below sets out the Group CEO's vested remuneration in each of the past five financial years.

	2014	2015	2016	2017	2018
Fixed remuneration ($M)	1.4	1.4	1.4	1.4	1.4
STI ($M)	2.4	2.2	–	–	–
LTI ($M)	2.3	4.6	5.2	7.0	7.8
Total remuneration ($M)	**6.1**	**8.2**	**6.6**	**8.4**	**9.2**
Proportion of STI and LTI (%)	77	83	79	83	85
Proportion of LTI (%)	38	56	79	83	85

Group CEO remuneration composition at grant and FY18 vesting

The major contributor to the growth in value of the remuneration outcome for the Group CEO, is the significant Group outperformance and security price appreciation. The remuneration structure has provided a clear link between the performance of Goodman and the Group CEO's LTI vesting. Had the Group not outperformed, his total remuneration could have been $1.4 million per annum.

The value of the LTI is strongly influenced by positive security price performance with the value of vested securities at the vesting date (1 September 2017) reflecting an increase of 66% on average versus the security price of the respective tranches at grant date.

The table below illustrates how the Group's performance has impacted the Group CEO remuneration between vesting (during FY18) and the original grant dates:

	Grant date[1]		Vesting date[2]	
	$M	%	$M	%
Fixed	1.4	23	1.4	15
LTI	4.7	77	7.8	85

1. Calculated using the closing price on the ASX the day the performance rights were granted.
2. Calculated using the closing price on the ASX the day the performance rights vested.

Intended FY19 performance rights allocation

The table below illustrates the value of the Group CEO's remuneration based on the intended award of performance rights in FY19 with regard to his performance in FY18. This award is not reflected in the current year statutory remuneration tables as it did not occur prior to 30 June 2018. The Board has determined the Group CEO intended LTI allocation based on the nominal valuation, adjusted for the factors which impact the value of the performance rights relative to securities tradeable on the market, and listed under the LTI pricing mechanism earlier.

Pricing and intended allocation of performance rights for the Group CEO

Goodman security price $	Value of distributions $	Nominal value per security $	Number of performance rights	Estimated nominal value $
9.62	1.14	8.48	1,600,000	13,568,000

5. REMUNERATION OUTCOMES CONTINUED

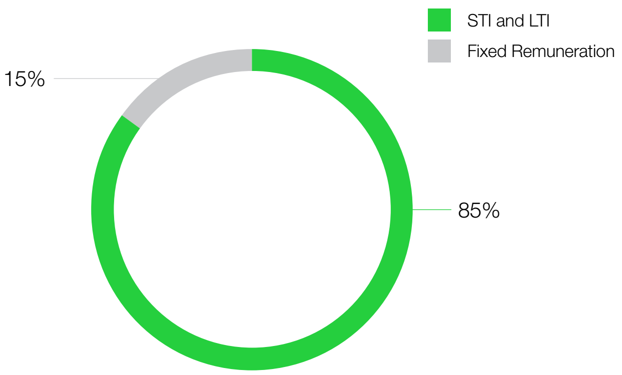
Remuneration mix shows alignment across the Group

The long-term focus on delivering sustainable returns for Securityholders and the alignment between pay and long-term performance is evidenced by the significant portion of remuneration for the Group CEO, the other executives and the organisation as a whole, that is in the form of LTI. In FY18:

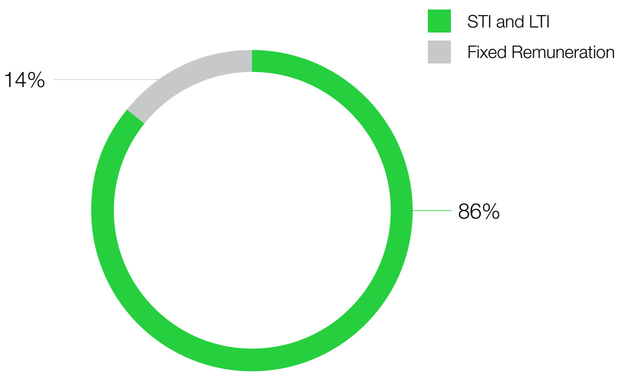
+ 85% of the Group CEO vested remuneration was in the form of LTI, reflecting consistent growth in operating EPS and security price over the period;
+ 74% of the executives' vested remuneration (on average) was in the form of LTI; and
+ circa 34% of all employees' vested remuneration (on average) was in the form of LTI.

Future remuneration outcomes will depend on continued outperformance of the Group against its hurdles over the long term. The total at-risk portion of vested remuneration (STI and LTI) is illustrated in the charts below.

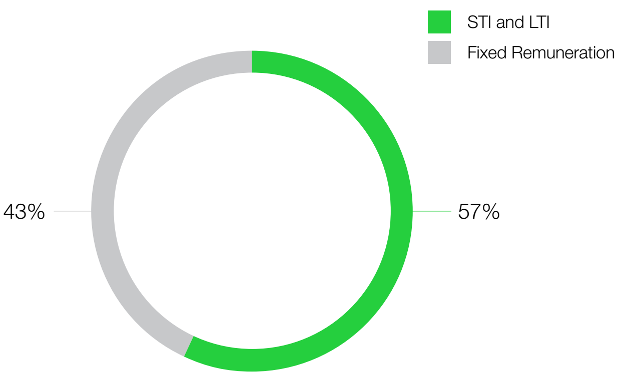
Group CEO
FY18 remuneration



Executives (including Group CEO)
FY18 remuneration



All employees
FY18 remuneration



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5. REMUNERATION OUTCOMES CONTINUED

FY18 remuneration allocations

Group CEO and other executive remuneration outcomes summary

Key remunerations outcomes		
Fixed remuneration	**Group CEO**	No change: base salary still below comparable companies.
		This is the 10th year that the Group CEO's base salary has remained unchanged.
		Fixed remuneration for the Group CEO in FY18 comprised only 15% of vested remuneration with the balance at risk and linked to performance.
	Other executives	No change: base salaries still below comparable companies.
		Fixed remuneration in FY18 comprised only 14% of vested remuneration for other executives, with the balance at risk and linked to performance.
STI	**Group CEO**	No STI for the Group CEO as per FY17. This is the fourth year the Group CEO has agreed not to take STI, despite strong performance.
	Other executives	STI for other executives in FY18 declined 14% on average compared to FY17 with continuing emphasis on LTI. STI for other executives represented 112% of fixed remuneration (below the cap of 150%). 50% of STI will be paid on release of Goodman's FY18 financial statements and 50% retained for 12 months.
LTI	**General**	Performance rights awarded for FY18 was Group-wide and in line with FY17. The total unvested performance rights at 30 June 2018 was 4.2% of the Group's issued capital. This reflected: + emphasis on LTI with lower STI in FY18; + significant outperformance of the Group compared with ASX100 and performance hurdles; and + the performance rights are all at risk and if performance hurdles are achieved, will vest over five years.
	Group CEO	During FY18, $7.8 million[1] of performance rights vested, (2017: $7.0 million[2]). The increase in the value of the LTI compared to FY17, was primarily due to an increase in the Goodman security price of 10% and successful vesting outcomes as a consequence of the consistently strong performance over the past five years. In respect of FY18 performance, the Board proposes to award the Group CEO 1.6 million performance rights, in line with the prior year.
	Other executives	In respect of FY18 performance, the Board proposes to issue a similar number[3] of performance rights to the other executives in line with FY17, which was a 20% decrease on FY16. The proposed awards to the other executives are: Mr Anthony Rozic – 600,000; Mr Danny Peeters – 550,000; Mr Nick Vrondas – 600,000; Mr Nick Kurtis – 600,000; and Mr Michael O'Sullivan – 400,000.

1. Based on the closing market price of a Goodman security of $8.27 at the vesting date on 1 September 2017.
2. Based on the closing market price of a Goodman security of $7.53 at the vesting date on 1 September 2016.
3. Calculated on a like for like basis given the changes in the KMP.

6. EXECUTIVES' REMUNERATION (STATUTORY ANALYSIS)

Details of the nature and amount of each major element of the remuneration of each executive, as calculated under Australian Accounting Standards, are set out below:

		Short-term					Long-term		Share based payments		Performance related	
Executives		Salary and fees[1] $	Bonus (STI)[2] $	Other[3] $	Total $	Superannuation benefits $	Bonus (STI)[2] $	Other[3] $	Performance rights (LTI)[4] $	Total $	STI + LTI as percentage of total %	LTI as percentage of total %
Mr Gregory Goodman	2018	1,397,236	–	16,810	1,414,046	20,049	–	24,773	9,262,334	10,721,202	86.4	86.4
	2017	1,380,337	–	16,163	1,396,500	19,616	–	24,773	7,450,013	8,890,902	83.8	83.8
Mr Anthony Rozic	2018	691,474	–	18,010	709,484	20,049	800,000	12,387	3,151,803	4,693,723	84.2	67.1
	2017	712,073	–	18,010	730,083	19,616	950,000	12,387	2,576,644	4,288,730	82.2	60.1
Mr Nick Kurtis	2018	671,309	–	18,010	689,319	20,049	800,000	12,380	3,206,721	4,728,469	84.7	67.8
	2017	667,421	–	18,010	685,431	19,616	950,000	12,380	2,676,167	4,343,594	83.5	61.6
Mr Nick Vrondas	2018	671,309	–	16,500	687,809	20,049	800,000	12,387	3,231,772	4,752,017	84.8	68.0
	2017	695,358	–	16,500	711,858	19,616	950,000	30,480	2,651,284	4,363,238	82.5	60.8
Mr Michael O'Sullivan[5]	2018	473,778	–	16,500	490,278	20,049	550,000	9,318	1,989,621	3,059,266	83.0	65.0
	2017	–	–	–	–	–	–	–	–	–	–	–
		€	€	€	€	€	€	€	€	€		
Mr Danny Peeters[6]	2018	572,947	–	–	572,947	–	600,000	–	1,773,396	2,946,343	80.6	60.2
	2017	564,950	–	–	564,950	–	700,000	–	1,537,230	2,802,180	79.8	54.9

1. Salary and fees represents the amounts due under the terms of executives' service contracts and includes movements in annual leave provisions.
2. Executives' bonus awards are paid in two instalments, 50% on finalisation of Goodman's financial statements and 50% 12 months later. Under Australian Accounting Standards, this means the entire bonus award is considered as a long-term benefit with regard to the disclosure of individual executive's remuneration. No bonuses were forfeited during the financial year.
3. Other includes reportable fringe benefits, car parking and changes in long service leave provisions.
4. Performance rights are a long-term incentive and in accordance with Australian Accounting Standards, the values of the awards are determined using option pricing models and amortised in the income statement over the vesting periods.
5. Mr Michael O'Sullivan became a KMP on 1 July 2017.
6. The remuneration of Mr Danny Peeters is disclosed in Euros, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.

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7. NON-EXECUTIVE DIRECTORS' REMUNERATION

Remuneration policy

Key elements of the Non-Executive Director remuneration policy

+ The policy is structured to ensure independence of judgement in the performance of their duties.
+ Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees.
+ The fees take into account the size and scope of Goodman's activities and the responsibilities and experience of the Directors. Periodically, these fees are benchmarked against data for comparable entities provided by external advisers.
+ As approved by Securityholders at the 2006 Annual General Meeting, total remuneration (including superannuation) payable by Goodman to all Non-Executive Directors in aggregate must not exceed $2.5 million per annum. For the current financial year, total Non-Executive Directors' remuneration was $2.2 million (2017: $2.3 million).
+ The decrease in Non-Executive Director fees compared to the prior financial year was due to the change in composition of the Board, partly offset by an increase in Board fees (excluding Board committee fees) from 1 January 2018.
+ Non-Executive Directors are not entitled to participate in any STI or LTI schemes as they may be perceived to create a bias when overseeing executive decision making.
+ The Board has a policy, set out in the Directors' Securities Acquisition Plan, for Non-Executive Directors to accumulate a significant long-term holding of Goodman securities so that they have an alignment of interests with those of Securityholders. Under the policy, each Non-Executive Director is required to acquire securities such that their holding is equal in value to twice their annual base fees. The value of securities for this purpose equals the higher of purchase cost or market value at the end of each financial year. This holding may be acquired at any time but where not held at the beginning of a financial year, the policy is for 25% of base fees (net of tax) during the financial year to be applied to the on-market purchase of securities.

Board and committee annual fees

		Board $	Audit Committee $	Risk and Compliance Committee $	Remuneration and Nomination Committee $
Chairman	From 1 Jan 2018	625,000	50,000	40,000	40,000
	From 1 Jul 2016 to 31 Dec 2017	561,000	37,500	37,500	37,500
Member	From 1 Jan 2018	230,000	25,000	25,000	25,000
	From 1 Jul 2016 to 31 Dec 2017	204,000	22,500	22,500	22,500

Non-Executive Directors' remuneration (statutory analysis)

Details of the nature and amount of each major element of the remuneration of Non-Executive Directors, as calculated under Australian Accounting Standards, are set out below:

Non-Executive Directors[1]		Salary and fees $	Superannuation benefits $	Total $
Mr Ian Ferrier	2018	572,951	20,049	593,000
	2017	541,384	19,616	561,000
Mr Philip Fan[2]	2018	94,130	–	94,130
	2017	249,000	–	249,000
Mr John Harkness[2]	2018	92,406	7,594	100,000
	2017	244,384	19,616	264,000
Mr Stephen Johns	2018	251,564	18,874	270,438
	2017	103,442	9,808	113,250
Ms Anne Keating[2]	2018	86,724	7,594	94,318
	2017	229,384	19,616	249,000
Ms Rebecca McGrath	2018	259,451	20,049	279,500
	2017	244,384	19,616	264,000
Mr Phillip Pryke[3]	2018	348,890	20,049	368,939
	2017	328,231	19,616	347,847
Mr Jim Sloman	2018	244,451	20,049	264,500
	2017	229,384	19,616	249,000
Ms Penny Winn[4]	2018	108,312	8,354	116,666
	2017	–	–	–

1. The Non-Executive Directors did not receive any incentive based remuneration.
2. Mr Philip Fan, Mr John Harkness and Ms Anne Keating retired as Directors on 16 November 2017.
3. Salary and fees for Mr Phillip Pryke included an amount of A$89,439 (NZ$97,050) (2017: A$83,847 (NZ$88,750)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.
4. Ms Penny Winn was appointed as a Director on 1 February 2018.

8. OTHER REMUNERATION DISCLOSURES

Performance rights disclosures

Summary of performance relative to the hurdles for the LTIP grants

2016 LTIP grant (with a performance testing period that ended on 30 June 2018)

Performance rights awarded in FY16 had a performance period ended 30 June 2018. Details of the performance relative to the hurdles are set out below:

Hurdle	Target	Actual	Out-performance	Vested (%)	Weighting (%)	Vesting outcome (%)
Operating EPS						
FY16	39.4 cents	40.1 cents	0.7 cents			
FY17	42.5 cents	43.1 cents	0.6 cents			
FY18	45.7 cents	46.7 cents	1.0 cents			
Aggregate				100.0	75.0	75.0
Relative TSR						
1 July 2015 to 30 June 2018	51st percentile	71st percentile	76th percentile	90.0	25.0	22.5
Total vesting						**97.5**

Based on the achievement of the performance hurdles, 97.5% of the FY16 performance rights will vest into Goodman securities, subject to meeting the employment conditions, and will be delivered to executives in three tranches on an annual basis commencing from September 2018. Executives must remain employed on each of the three vesting dates in September 2018, 2019 and 2020 respectively for the performance rights to vest.

2017 and 2018 LTIP grants

For the grants made in FY17 and FY18, the performance testing periods run to 30 June 2019 and 30 June 2020 respectively. For both grants, an assessment of operating EPS and relative TSR as at 30 June 2018 indicated that the operating EPS hurdles had been met and relative TSR hurdles were partially achieved. However, the performance hurdles for both grants will need to be assessed over the full three year performance periods to determine whether they are satisfied.

Movements in performance rights held by the KMP

The movements in the number of performance rights during FY18 are summarised as follows:

	Year	Held at the start of the year[1]	Granted as compensation	Vested	Forfeited	Held at the end of the year
Executive Directors						
Mr Gregory Goodman	2018	6,301,370	1,600,000	(939,297)	–	6,962,073
	2017	4,885,979	2,400,000	(932,505)	(52,104)	6,301,370
Mr Anthony Rozic	2018	2,262,777	600,000	(468,153)	–	2,394,624
	2017	2,045,559	700,000	(459,625)	(23,157)	2,262,777
Mr Danny Peeters	2018	1,967,528	550,000	(453,070)	–	2,064,458
	2017	1,850,310	600,000	(459,625)	(23,157)	1,967,528
Other executives						
Mr Nick Kurtis	2018	2,412,777	600,000	(468,154)	–	2,544,623
	2017	2,195,559	700,000	(459,625)	(23,157)	2,412,777
Mr Nick Vrondas	2018	2,362,295	600,000	(414,417)	–	2,547,878
	2017	2,000,460	750,000	(367,903)	(20,262)	2,362,295
Mr Michael O'Sullivan	2018	1,505,802	390,000	(327,293)	–	1,568,509
	2017	–	–	–	–	–

1. Relates to performance rights held at the later of the start of the financial year or the date of becoming a KMP.

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8. OTHER REMUNERATION DISCLOSURES CONTINUED

Analysis of performance rights held by the KMP

Details of the awards of performance rights under the LTIP granted by Goodman as compensation to the executives are set out in the following tables:

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	Vested in prior years (%)	Vested in the year (%)[2]	Forfeited (%)	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Executive Directors											
Mr Gregory Goodman	1,600,000	16 Nov 2017	2018	6.70	10,720,000	–	–	–	–	2021 – 2023	1 Sep 2022
	2,400,000	30 Sep 2016	2017	5.64	13,536,000	–	–	–	–	2020 – 2022	1 Sep 2021
	2,000,000	25 Nov 2015	2016	4.44	8,880,000	–	–	–	–	2019 – 2021	1 Sep 2020
	995,476	20 Nov 2014	2015	4.01	3,991,859	–	33.3	–	2,744,193	2018 – 2020	2 Sep 2019
	947,368	22 Nov 2013	2014	3.67	3,476,841	31.5	31.5	5.5	2,467,942	2017 – 2019	3 Sep 2018
	927,152	16 Nov 2012	2013	3.37	3,124,502	66.7	33.3	–	2,555,852	2016 – 2018	1 Sep 2017
Mr Anthony Rozic	600,000	16 Nov 2017	2018	6.70	4,020,000	–	–	–	–	2021 – 2023	1 Sep 2022
	700,000	30 Sep 2016	2017	5.64	3,948,000	–	–	–	–	2020 – 2022	1 Sep 2021
	600,000	25 Nov 2015	2016	4.44	2,664,000	–	–	–	–	2019 – 2021	1 Sep 2020
	542,987	20 Nov 2014	2015	4.01	2,177,378	–	33.3	–	1,496,829	2018 – 2020	2 Sep 2019
	421,053	22 Nov 2013	2014	3.67	1,545,265	31.5	31.5	5.5	1,096,867	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	66.7	33.3	–	1,277,930	2016 – 2018	1 Sep 2017
Mr Danny Peeters	550,000	16 Nov 2017	2018	6.70	3,685,000	–	–	–	–	2021 – 2023	1 Sep 2022
	600,000	30 Sep 2016	2017	5.64	3,384,000	–	–	–	–	2020 – 2022	1 Sep 2021
	450,000	25 Nov 2015	2016	4.44	1,998,000	–	–	–	–	2019 – 2021	1 Sep 2020
	497,738	20 Nov 2014	2015	4.01	1,995,929	–	33.3	–	1,372,092	2018 – 2020	2 Sep 2019
	421,053	22 Nov 2013	2014	3.67	1,545,265	31.5	31.5	5.5	1,096,867	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	66.7	33.3	–	1,277,930	2016 – 2018	1 Sep 2017

Refer to the following page for explanatory footnotes.

8. OTHER REMUNERATION DISCLOSURES CONTINUED

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	Vested in prior years (%)	Vested in the year (%)[2]	Forfeited (%)	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Other executives											
Mr Nick Kurtis	600,000	30 Sep 2017	2018	6.41	3,846,000	–	–	–	–	2021 – 2023	1 Sep 2022
	700,000	30 Sep 2016	2017	5.64	3,948,000	–	–	–	–	2020 – 2022	1 Sep 2021
	750,000	23 Sep 2015	2016	4.06	3,045,000	–	–	–	–	2019 – 2021	1 Sep 2020
	542,987	9 Oct 2014	2015	4.05	2,199,097	–	33.3	–	1,496,837	2018 – 2020	2 Sep 2019
	421,053	27 Sep 2013	2014	3.66	1,541,054	31.5	31.5	5.5	1,096,867	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	66.7	33.3	–	1,277,930	2016 – 2018	1 Sep 2017
Mr Nick Vrondas	600,000	30 Sep 2017	2018	6.41	3,846,000	–	–	–	–	2021 – 2023	1 Sep 2022
	750,000	30 Sep 2016	2017	5.64	4,230,000	–	–	–	–	2020 – 2022	1 Sep 2021
	750,000	23 Sep 2015	2016	4.06	3,045,000	–	–	–	–	2019 – 2021	1 Sep 2020
	497,738	9 Oct 2014	2015	4.05	2,015,839	–	33.3	–	1,372,101	2018 – 2020	2 Sep 2019
	368,421	27 Sep 2013	2014	3.66	1,348,421	31.5	31.5	5.5	959,758	2017 – 2019	3 Sep 2018
	397,351	12 Oct 2012	2013	3.15	1,251,656	66.7	33.3	–	1,095,370	2016 – 2018	1 Sep 2017
Mr Michael O'Sullivan	390,000	30 Sep 2017	2018	6.41	2,499,900	–	–	–	–	2021 – 2023	1 Sep 2022
	450,000	30 Sep 2016	2017	5.64	2,538,000	–	–	–	–	2020 – 2022	1 Sep 2021
	350,000	23 Sep 2015	2016	4.06	1,421,000	–	–	–	–	2019 – 2021	1 Sep 2020
	418,553	9 Oct 2014	2015	4.05	1,695,140	–	33.3	–	1,153,814	2018 – 2020	2 Sep 2019
	315,789	27 Sep 2013	2014	3.66	1,155,788	31.5	31.5	5.5	822,650	2017 – 2019	3 Sep 2018
	264,901	12 Oct 2012	2013	3.15	834,438	66.7	33.3	–	730,249	2016 – 2018	1 Sep 2017

1. The fair value was determined at grant date and calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the ASX100 entities, and discounted the future value of any potential future vesting performance rights to arrive at a present value.
2. As performance rights had an exercise price of $nil, Goodman securities were automatically issued to employees when the performance rights vested. Accordingly, the percentage of performance rights that vested during the financial year equalled the percentage of securities issued during the financial year.
3. The value of performance rights vested was calculated using the closing price on the ASX of $8.27 on 1 September 2017, the day the performance rights vested.
4. As Goodman securities were automatically issued to employees when the performance rights vested, and lapsed where they failed to do so, the vesting date was also deemed to be the expiry date.

DIRECTORS' REPORT
REMUNERATION REPORT – AUDITED
Continued

8. OTHER REMUNERATION DISCLOSURES CONTINUED

Hedging of unvested performance rights

The Board's policy set out in the Securities Trading Policy is that executives and other employees may not enter into any arrangement to limit their exposure to risk in relation to unvested performance rights, options or securities issued under an employee incentive plan. In accordance with their terms of employment, executives are required to comply with Goodman's policies. The Corporations Act 2001 also expressly prohibits KMP from hedging unvested remuneration.

Service contracts

Executives are engaged under written employment contracts until notice is given by either Goodman or the executive. Notice periods are for six months with the exception of Mr Goodman and Mr Peeters for whom the period is 12 months. Mr Danny Peeters provides his services through a management company, DPCON Bvba.

Movement in Goodman securities held

The movements during the financial year in the number of Goodman securities held, directly, indirectly or beneficially, by each KMP, including their related parties, are set out below:

	Year	Held at the start of the year[1]	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year[2]
Non-Executive Directors						
Mr Ian Ferrier	2018	186,982	–	8,992	–	195,974
	2017	175,912	–	11,070	–	186,982
Mr Philip Fan	2018	93,258	–	–	–	93,258
	2017	72,958	–	20,300	–	93,258
Mr John Harkness	2018	70,030	–	–	–	70,030
	2017	95,897	–	–	(25,867)	70,030
Mr Stephen Johns	2018	15,000	–	–	–	15,000
	2017	15,000	–	–	–	15,000
Ms Anne Keating	2018	64,033	–	–	–	64,033
	2017	64,033	–	–	–	64,033
Ms Rebecca McGrath	2018	31,821	–	4,370	–	36,191
	2017	26,406	–	5,415	–	31,821
Mr Phillip Pryke	2018	114,232	–	–	(13,352)	100,880
	2017	114,232	–	–	–	114,232
Mr Jim Sloman	2018	93,273	–	4,120	–	97,393
	2017	88,128	–	5,145	–	93,273
Ms Penny Winn	2018	–	–	24,700	–	24,700
	2017	–	–	–	–	–
Executive Directors						
Mr Gregory Goodman	2018	37,983,175	939,297	–	(800,000)	38,122,472
	2017	37,984,597	932,505	–	(933,927)	37,983,175
Mr Anthony Rozic	2018	941,307	468,153	–	(300,000)	1,109,460
	2017	854,182	459,625	–	(372,500)	941,307
Mr Danny Peeters	2018	1,843,520	453,070	–	(500,030)	1,796,560
	2017	1,383,895	459,625	–	–	1,843,520
Other executives						
Mr Nick Kurtis	2018	705,789	468,154	–	(513,591)	660,352
	2017	530,099	459,625	–	(283,935)	705,789
Mr Nick Vrondas	2018	330,000	414,417	–	(340,000)	404,417
	2017	200,000	367,903	–	(237,903)	330,000
Mr Michael O'Sullivan	2018	437,674	327,293	–	–	764,967
	2017	–	–	–	–	–

1. Relates to securities held at the later of the start of the financial year or the date of becoming a KMP.
2. Relates to securities held at the earlier of the end of the financial year or the date of ceasing to be a KMP.

8. OTHER REMUNERATION DISCLOSURES CONTINUED

Movement in hybrid securities issued by Goodman PLUS Trust

During the year, the Group repurchased all the Goodman PLUS on issue. The movements during the financial year in the number of Goodman PLUS held directly, indirectly or beneficially by the KMP, including their related parties, are set out below:

	Year	Held at the start of the year	Repurchased	Held at the end of the year
Mr Anthony Rozic	2018	1,000	(1,000)	–
	2017	1,000	–	1,000
Mr Nick Vrondas	2018	120	(120)	–
	2017	120	–	120

None of the Non-Executive Directors or other executives had any interests in Goodman PLUS.

Movement in Goodman Property Trust securities

Throughout the year, Mr Michael O'Sullivan held 349,650 units in Goodman Property Trust (GMT). GMT is listed on the New Zealand Stock Exchange and Goodman owned 21.2% of the issued units at 30 June 2018.

Transactions with Directors, executives and their related entities

There were no other transactions with Directors, executives and their related entities.

DIRECTORS' REPORT
Continued

ENVIRONMENTAL REGULATIONS

Goodman has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of Goodman's operations that are subject to significant environmental regulation under a law of Australia. The Directors have determined that Goodman has complied with those obligations during the financial year and that there has not been any material breach.

DISCLOSURE IN RESPECT OF ANY INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Pursuant to the Constitution of Goodman, current and former directors and officers of Goodman are entitled to be indemnified. Deeds of Indemnity have been executed by Goodman, consistent with the Constitution, in favour of each Director. The Deed indemnifies each Director to the extent permitted by law for liabilities (other than legal costs) incurred in their capacity as a director of Goodman or a controlled entity and, in respect of legal costs, for liabilities incurred in defending or resisting civil or criminal proceedings.

Goodman has insured to the extent permitted by law, current and former directors and officers of Goodman in respect of liability and legal expenses incurred in their capacity as a director or officer. As it is prohibited under the terms of the contract of insurance, the Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid.

The auditors of Goodman are not indemnified by Goodman or covered in any way by this insurance in respect of the audit.

NON-AUDIT SERVICES

During the financial year, KPMG, Goodman and GIT's auditor, performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the financial year by the auditor and, in accordance with written advice authorised by a resolution of the Audit Committee, resolved that it is satisfied that the provision of those non-audit services during the financial year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

+ all non-audit services were subject to the corporate governance procedures adopted by Goodman and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
+ the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Goodman, acting as an advocate for Goodman or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of Goodman and GIT, KPMG and its network firms, for the audit and non-audit services provided during the financial year are set out in note 22 to the consolidated financial statements.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Board of Directors

Mr Ian Ferrier AM – Independent Chairman
Member of the Audit Committee and Remuneration and Nomination Committee
Appointed to the board of Goodman Limited on 1 September 2003; Tenure 14 years, 10 months
Appointed to the board of GFML on 23 February 2005; Tenure 13 years, 4 months

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of Chartered Accountants Australia and New Zealand and has in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of Reckon Limited (director since August 2004 to July 2018) and a director of EnergyOne Limited (since January 2007). He was formerly the Chairman of InvoCare Limited and Australian Vintage Ltd (from March 1991 to May 2015).

His experience is essentially concerned with understanding the financial and other issues confronting company management, analysing those issues and implementing policies and strategies which lead to success. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Mr Gregory Goodman – Group Chief Executive Officer
Appointed to the board of Goodman Limited on 7 August 1998; Tenure 19 years, 11 months
Appointed to the board of GFML on 17 January 1995; Tenure 23 years, 5 months

Gregory is responsible for Goodman's overall operations and the implementation of its strategic plan. He has over 30 years of experience in the property industry with significant expertise in the industrial property arena. Gregory was a co-founder of Goodman, playing an integral role in establishing its specialist global position in the property market through various corporate transactions, including takeovers, mergers and acquisitions.

He is a director of Goodman (NZ) Limited (the manager of the New Zealand Exchange listed Goodman Property Trust), and a director and/or a representative on other subsidiaries, management companies and partnerships of Goodman.

Mr Stephen Johns – Independent Director
Chairman of the Audit Committee and Member of the Risk and Compliance Committee
Appointed to the board of Goodman Limited and GFML on 1 January 2017; Tenure 1 year, 6 months

Stephen is currently Chairman and a non-executive director of Brambles Limited and was previously Chairman and non-executive director of Leighton Holdings Limited and Spark Infrastructure Group. Stephen is a former executive and a non-executive director of Westfield Group where he had a long executive career during which he held a number of senior positions including that of Finance Director from 1985 to 2002. He has a Bachelor of Economics Degree from The University of Sydney and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Ms Rebecca McGrath – Independent Director
Chairman of the Risk and Compliance Committee and Member of the Remuneration and Nomination Committee
Appointed to the board of Goodman Limited and GFML on 3 April 2012; Tenure 6 years, 3 months

Rebecca is currently a non-executive director of Incitec Pivot Limited (since September 2011) and Chairman of OZ Minerals Limited (non-executive director since November 2010). Rebecca is also Independent Chairman and a director of Investa Office Management Holdings (since June 2016), an unlisted entity of the Investa Group, and the Independent Chairman of Scania Australia Pty Limited. Rebecca was formerly a director of CSR Limited (February 2012 to October 2016). During her executive career at BP plc, she held numerous senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the UK, and Europe. Her most recent executive experience was as Chief Financial Officer of BP Australasia.

Rebecca holds a Bachelors Degree of Town Planning and a Masters of Applied Science (Project Management) and is a graduate of the Cambridge University Business and Environment Programme. She is a Fellow of the Australian Institute of Company Directors.

Mr Danny Peeters – Executive Director, Corporate
Appointed to the board of Goodman Limited and GFML on 1 January 2013; Tenure 5 years, 6 months

Danny has oversight of Goodman's European and Brazilian operations and strategy. Danny has been with Goodman since 2006 and has 19 years of experience in the property and logistics sectors. Danny is a director and/or a representative of Goodman's investment management entities, subsidiaries and partnerships in Europe and Brazil.

During his career, Danny has built up extensive experience in the design, implementation and outsourcing of pan- European supply chain and real estate strategies for various multinationals. Danny was Chief Executive Officer of Eurinpro, a developer of tailor-made logistic property solutions in Europe acquired by Goodman in May 2006.

DIRECTORS' REPORT
Continued

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Board of Directors continued

Mr Phillip Pryke – Independent Director
Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Appointed to the board of Goodman Limited and GFML on 13 October 2010; Tenure 7 years, 9 months

Phillip is a director of North Ridge Partners Pty Limited and Tru-Test Corporation Limited. He is also a director of Goodman (NZ) Limited, the manager of the New Zealand Exchange listed Goodman Property Trust. He was formerly the Deputy Chairman and Lead Independent Director of New Zealand Exchange listed Contact Energy Limited.

Phillip has wide experience in the fishing, energy, financial services, and health and technology industries and holds a Bachelor of Economics Degree.

Mr Anthony Rozic – Deputy Group Chief Executive Officer and Chief Executive Officer, North America
Appointed to the board of Goodman Limited and GFML on 1 January 2013; Tenure 5 years, 6 months

Anthony joined Goodman in 2004 as Group Chief Financial Officer and was appointed Group Chief Operating Officer in February 2009. He was then subsequently appointed Deputy Chief Executive Officer in August 2010 and Chief Executive Officer, North America in September 2016. Anthony's responsibilities include assisting in setting and managing strategy, business performance, corporate transactions and related operational projects.

Anthony is a qualified Chartered Accountant and has over 20 years of experience in the property industry, having previously held a number of senior roles in the property funds management industry and chartered accountancy profession. He was appointed as Executive Director of Goodman in January 2013.

Mr Jim Sloman, OAM – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed to the board of Goodman Limited and GFML on 1 February 2006; Tenure 12 years, 5 months

Jim has over 40 years of experience in the building and construction industries in Australia and overseas, including experience with Sir Robert McAlpine & Sons in London, Lend Lease Corporation in Australia and as Deputy Chief Executive and Chief Operating Officer of the Sydney Organising Committee for the Olympic Games (SOCOG) from 1997 to 2001. He was the CEO and a director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. He advised on major events including the London 2012 Olympic Games and Rio de Janiero 2016 Olympic Games. Jim is currently working as an advisor to the Qatar 2022 World Cup.

In addition, Jim is Chairman of Laing O'Rourke Australia Pty Limited and of several of its associated companies and a director of SHAPE Holdings Pty Limited and of several of its associated companies. With his range of experience, Jim brings significant property, construction and major projects expertise to Goodman.

Ms Penny Winn – Independent Director
Member of the Audit Committee and Risk and Compliance Committee
Appointed to the board of Goodman Limited and GFML on 1 February 2018; Tenure 5 months

Penny is currently the Chair of Port Waratah Coal Services Limited (since June 2015), non-executive director of CSR Limited (since November 2015) and non-executive director of Caltex Australia Limited (since November 2015). Penny has over 30 years of experience in retail, supply chain and digital strategy in senior management roles in Australia and overseas, including as Director Group Retail Services with Woolworths Limited (2011 to 2015) where she was responsible for leading the Logistics and Information Technology divisions, Online Retailing and the Customer Engagement teams across the organisation. She has previously served as a director of a Woolworths business (Greengrocer.com), a Myer business (sass & bide) and Quantium Group.

Penny is a member of the University of Technology, Sydney (UTS) Business School's Advisory Board and a graduate of the Australian Institute of Company Directors. Penny holds a Bachelor of Commerce Degree from the Australian National University and a Master of Business Administration Degree from UTS.

Company Secretary

Mr Carl Bicego – Group Head of Legal and Company Secretary
Appointed as Company Secretary of Goodman Limited and GFML on 24 October 2006

Carl is the Group Head of Legal and the Company Secretary of the Company. He was admitted as a solicitor in 1996 and joined Goodman from law firm Allens in 2006. Carl holds a Master of Laws Degree and Bachelor of Economics/Bachelor of Laws (Hons) Degrees.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2018, the Group repaid GBP 121.0 million of notes on their maturity and BRL 80.8 million on the cancellation of a secured bank facility.

Other than as disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman, the results of those operations, or the state of affairs of Goodman, in future financial years.

DECLARATION BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Group Chief Executive Officer and Group Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of Goodman for the year ended 30 June 2018 have been properly maintained and the financial report for the year ended 30 June 2018 complies with accounting standards and presents a true and fair view of Goodman's financial condition and operational results.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 70 and forms part of this Directors' report for the financial year.

ROUNDING

Goodman and GIT are entities of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in this Directors' report and the consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

The Directors' report is made in accordance with a resolution of the Directors.

Ian Ferrier AM
Independent Chairman

Gregory Goodman
Group Chief Executive Officer

Sydney, 17 August 2018

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF GOODMAN LIMITED AND GOODMAN FUNDS MANAGEMENT LIMITED, AS RESPONSIBLE ENTITY FOR GOODMAN INDUSTRIAL TRUST

I declare that, to the best of my knowledge and belief, in relation to the audits for the financial year ended 30 June 2018 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audits; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audits.

KPMG

KPMG

John Teer
Partner

Sydney, 17 August 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Current assets					
Cash and cash equivalents	17(a)	2,406.8	2,095.1	2,129.7	1,882.5
Receivables	7	610.0	552.0	2,109.0	1,737.5
Inventories	6(d)	520.5	709.7	–	23.1
Asset held for sale	6(b)	–	203.6	–	–
Other financial assets	13	1.6	27.3	1.6	27.2
Other assets		17.1	14.7	5.0	4.7
Total current assets		**3,556.0**	**3,602.4**	**4,245.3**	**3,675.0**
Non-current assets					
Receivables	7	71.9	34.8	1,060.9	1,202.3
Inventories	6(d)	437.5	525.8	37.5	37.0
Investment properties	6(b)	1,774.6	2,010.2	1,222.4	1,263.5
Investments accounted for using the equity method	6(b)	6,585.5	5,522.7	5,021.9	4,270.8
Deferred tax assets	5	6.0	10.2	–	–
Other financial assets	13	187.8	215.3	220.6	238.6
Goodwill and intangible assets	10	816.7	771.9	–	–
Other assets		23.4	17.9	–	–
Total non-current assets		**9,903.4**	**9,108.8**	**7,563.3**	**7,012.2**
Total assets		**13,459.4**	**12,711.2**	**11,808.6**	**10,687.2**
Current liabilities					
Payables	8	422.5	358.8	542.9	93.1
Current tax payables	5	59.2	63.5	–	–
Interest bearing liabilities	12	222.9	28.8	215.9	–
Provisions	9	270.5	262.8	166.6	236.2
Other financial liabilities	13	54.5	158.4	54.5	158.4
Total current liabilities		**1,029.6**	**872.3**	**979.9**	**487.7**
Non-current liabilities					
Payables	8	191.1	198.5	465.4	163.3
Interest bearing liabilities	12	2,858.6	2,849.5	2,749.0	2,576.3
Deferred tax liabilities	5	77.7	45.9	43.2	11.8
Provisions	9	34.3	46.5	–	–
Other financial liabilities	13	94.4	76.3	94.4	76.3
Total non-current liabilities		**3,256.1**	**3,216.7**	**3,352.0**	**2,827.7**
Total liabilities		**4,285.7**	**4,089.0**	**4,331.9**	**3,315.4**
Net assets		**9,173.7**	**8,622.2**	**7,476.7**	**7,371.8**
Equity attributable to Securityholders					
Issued capital	16(a)	8,031.7	8,031.7	7,381.3	7,310.5
Reserves		185.0	(56.7)	(16.9)	(80.9)
Retained earnings		957.0	321.4	112.3	(183.6)
Total equity attributable to Securityholders		**9,173.7**	**8,296.4**	**7,476.7**	**7,046.0**
Comprising:					
Total equity attributable to GL	18(a)	582.5	366.1		
Total equity attributable to other entities stapled to GL	18(b)	8,591.2	7,930.3		
Total equity attributable to Securityholders		**9,173.7**	**8,296.4**	**7,476.7**	**7,046.0**
Other non-controlling interests	18(c)	–	325.8	–	325.8
Total equity		**9,173.7**	**8,622.2**	**7,476.7**	**7,371.8**

The consolidated statements of financial position are to be read in conjunction with the accompanying notes.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2018

		Goodman		GIT	
	Note	2018 $M	2017 $M	2018 $M	2017 $M
Revenue					
Gross property income	2	150.4	177.1	82.4	111.9
Management income		316.5	266.3	–	–
Development income	2	1,115.8	1,207.1	34.1	–
Distributions from investments		–	–	7.4	–
		1,582.7	**1,650.5**	**123.9**	**111.9**
Property and development expenses					
Property expenses		(36.4)	(46.9)	(26.7)	(34.5)
Development expenses	2	(808.9)	(919.9)	(27.4)	–
		(845.3)	**(966.8)**	**(54.1)**	**(34.5)**
Other income					
Net gain from fair value adjustments on investment properties	6(e)	71.1	180.9	56.0	159.3
Net gain on disposal of investment properties		67.4	128.8	10.3	173.9
Net gain on disposal of controlled entities	2	–	0.4	0.2	0.1
Share of net results of equity accounted investments	6(f)(i), 6(f)(ii)	910.9	587.7	733.7	431.3
Net gain/(loss) on disposal of equity investments	2	40.7	(0.1)	39.3	0.9
Other income		–	–	0.4	0.5
		1,090.1	**897.7**	**839.9**	**766.0**
Other expenses					
Employee expenses	2	(180.7)	(195.9)	–	–
Share based payments expense	2	(125.6)	(85.4)	–	–
Administrative and other expenses		(68.7)	(76.5)	(46.6)	(50.9)
Impairment losses	2	–	(93.0)	–	–
		(375.0)	**(450.8)**	**(46.6)**	**(50.9)**
Profit before interest and tax		**1,452.5**	**1,130.6**	**863.1**	**792.5**
Net finance income/(expense)					
Finance income	11	35.3	47.9	174.4	166.3
Finance expense	11	(302.6)	(327.3)	(292.8)	(348.2)
Net finance expense		**(267.3)**	**(279.4)**	**(118.4)**	**(181.9)**
Profit before income tax		**1,185.2**	**851.2**	**744.7**	**610.6**
Income tax (expense)/benefit		(82.4)	(54.4)	(28.8)	5.9
Profit for the year		**1,102.8**	**796.8**	**715.9**	**616.5**
Profit/(loss) attributable to GL	18(a)	182.5	(58.2)		
Profit attributable to other entities stapled to GL	18(b)	915.7	836.3		
Profit attributable to Securityholders		**1,098.2**	**778.1**	**711.3**	**597.8**
Profit attributable to other non-controlling interests	18(c)	4.6	18.7	4.6	18.7
Profit for the year		**1,102.8**	**796.8**	**715.9**	**616.5**
Basic profit per security (¢)	3(a)	61.1	43.5		
Diluted profit per security (¢)	3(a)	59.4	42.6		

The consolidated income statements are to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Profit for the year		**1,102.8**	**796.8**	**715.9**	**616.5**
Other comprehensive income/(loss) for the year					
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses) on defined benefit superannuation funds		6.9	(2.5)	–	–
Effect of foreign currency translation		(1.6)	1.4	–	–
		5.3	**(1.1)**	**–**	**–**
Items that are or may be reclassified subsequently to profit or loss					
(Decrease)/increase due to revaluation of other financial assets		(0.4)	(0.7)	(2.5)	4.9
Cash flow hedges:					
– Change in value of financial instruments		3.0	1.3	3.0	4.4
– Transfers from cash flow hedge reserve		–	3.1	–	–
Effect of foreign currency translation		194.2	(121.2)	37.7	(44.7)
		196.8	**(117.5)**	**38.2**	**(35.4)**
Other comprehensive income/(loss) for the year, net of income tax		**202.1**	**(118.6)**	**38.2**	**(35.4)**
Total comprehensive income for the year		**1,304.9**	**678.2**	**754.1**	**581.1**
Total comprehensive income/(loss) attributable to GL	18(a)	164.9	(104.5)		
Total comprehensive income attributable to other entities stapled to GL	18(b)	1,135.4	764.0		
Total comprehensive income attributable to Securityholders		**1,300.3**	**659.5**	**749.5**	**562.4**
Total comprehensive income attributable to other non-controlling interests	18(c)	4.6	18.7	4.6	18.7
Total comprehensive income for the year		**1,304.9**	**678.2**	**754.1**	**581.1**

The consolidated statements of comprehensive income are to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

		Attributable to Goodman Securityholders										
Goodman	Note	Issued capital $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Defined benefit funds actuarial losses reserve $M	Total reserves $M	Retained earnings $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2016		**8,031.7**	**(5.3)**	**(5.9)**	**(28.2)**	**102.5**	**(30.3)**	**32.8**	**3.0**	**8,067.5**	**325.8**	**8,393.3**
Total comprehensive (loss)/income for the year												
Profit for the year		–	–	–	–	–	–	–	778.1	778.1	18.7	796.8
Other comprehensive (loss)/income												
Effect of foreign currency translation		–	(0.1)	0.1	(121.2)	–	1.4	(119.8)	–	(119.8)	–	(119.8)
Cash flow hedges:												
– Change in value of financial instruments		–	–	1.3	–	–	–	1.3	–	1.3	–	1.3
– Transfers to income statement		–	–	3.1	–	–	–	3.1	–	3.1	–	3.1
Decrease due to revaluation of other financial assets		–	(0.7)	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Actuarial losses on defined benefit superannuation funds		–	–	–	–	–	(2.5)	(2.5)	–	(2.5)	–	(2.5)
Total other comprehensive (loss)/income for the year, net of income tax		–	(0.8)	4.5	(121.2)	–	(1.1)	(118.6)	–	(118.6)	–	(118.6)
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(0.8)**	**4.5**	**(121.2)**	**–**	**(1.1)**	**(118.6)**	**778.1**	**659.5**	**18.7**	**678.2**
Transfers		–	–	–	–	(33.4)	–	(33.4)	33.4	–	–	–
Contributions by and distributions to owners												
Distributions on stapled securities	15	–	–	–	–	–	–	–	(481.2)	(481.2)	–	(481.2)
Distributions on Goodman PLUS	18(c)	–	–	–	–	–	–	–	–	–	(18.7)	(18.7)
Equity settled share based payments expense	2	–	–	–	–	62.5	–	62.5	–	62.5	–	62.5
Acquisition of non-controlling interest		–	–	–	–	–	–	–	(11.9)	(11.9)	–	(11.9)
Balance at 30 June 2017		**8,031.7**	**(6.1)**	**(1.4)**	**(149.4)**	**131.6**	**(31.4)**	**(56.7)**	**321.4**	**8,296.4**	**325.8**	**8,622.2**

Goodman	Note	Attributable to Goodman Securityholders										
		Issued capital $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Defined benefit funds actuarial losses reserve $M	Total reserves $M	Retained earnings $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2017		**8,031.7**	**(6.1)**	**(1.4)**	**(149.4)**	**131.6**	**(31.4)**	**(56.7)**	**321.4**	**8,296.4**	**325.8**	**8,622.2**
Total comprehensive (loss)/income for the year												
Profit for the year		–	–	–	–	–	–	–	1,098.2	1,098.2	4.6	1,102.8
Other comprehensive (loss)/income												
Effect of foreign currency translation		–	(0.4)	(0.1)	194.7	–	(1.6)	192.6	–	192.6	–	192.6
Cash flow hedges:												
– Change in value of financial instruments		–	–	3.0	–	–	–	3.0	–	3.0	–	3.0
Decrease due to revaluation of other financial assets		–	(0.4)	–	–	–	–	(0.4)	–	(0.4)	–	(0.4)
Actuarial gains on defined benefit superannuation funds		–	–	–	–	–	6.9	6.9	–	6.9	–	6.9
Total other comprehensive (loss)/income for the year, net of income tax		–	(0.8)	2.9	194.7	–	5.3	202.1	–	202.1	–	202.1
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(0.8)**	**2.9**	**194.7**	**–**	**5.3**	**202.1**	**1,098.2**	**1,300.3**	**4.6**	**1,304.9**
Transfers		–	–	–	–	(42.8)	–	(42.8)	41.6	(1.2)	1.2	–
Contributions by and distributions to owners												
Dividends/distributions on stapled securities	15	–	–	–	–	–	–	–	(504.2)	(504.2)	–	(504.2)
Distributions on Goodman PLUS	18(c)	–	–	–	–	–	–	–	–	–	(4.6)	(4.6)
Equity settled share based payments expense	2	–	–	–	–	82.4	–	82.4	–	82.4	–	82.4
Repurchase of Goodman PLUS	18(c)	–	–	–	–	–	–	–	–	–	(327.0)	(327.0)
Balance at 30 June 2018		**8,031.7**	**(6.9)**	**1.5**	**45.3**	**171.2**	**(26.1)**	**185.0**	**957.0**	**9,173.7**	**–**	**9,173.7**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to non-controlling interests, refer to note 18(b).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

for the year ended 30 June 2018

		Attributable to Goodman Securityholders									
GIT	Note	Issued capital $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Total reserves $M	(Accumulated losses)/retained earnings $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2016		**7,249.7**	**7.4**	**(5.9)**	**(150.5)**	**80.9**	**(68.1)**	**(318.0)**	**6,863.6**	**325.8**	**7,189.4**
Total comprehensive income/(loss) for the year											
Profit for the year		–	–	–	–	–	–	597.8	597.8	18.7	616.5
Other comprehensive (loss)/income											
Effect of foreign currency translation		–	–	–	(44.7)	–	(44.7)	–	(44.7)	–	(44.7)
Cash flow hedges:											
– Change in value of financial instruments		–	–	4.4	–	–	4.4	–	4.4	–	4.4
Increase due to revaluation of other financial assets		–	4.9	–	–	–	4.9	–	4.9	–	4.9
Total other comprehensive income/(loss) for the year, net of tax		–	4.9	4.4	(44.7)	–	(35.4)	–	(35.4)	–	(35.4)
Total comprehensive income/(loss) for the year		**–**	**4.9**	**4.4**	**(44.7)**	**–**	**(35.4)**	**597.8**	**562.4**	**18.7**	**581.1**
Contributions by and distributions to owners											
Distributions on ordinary units	15	–	–	–	–	–	–	(463.4)	(463.4)	–	(463.4)
Distributions on Goodman PLUS	18(c)	–	–	–	–	–	–	–	–	(18.7)	(18.7)
Issue of ordinary units under the Goodman's LTIP	16(a)	60.8	–	–	–	–	–	–	60.8	–	60.8
Equity settled share based payments transaction relating to Goodman		–	–	–	–	22.6	22.6	–	22.6	–	22.6
Balance at 30 June 2017		**7,310.5**	**12.3**	**(1.5)**	**(195.2)**	**103.5**	**(80.9)**	**(183.6)**	**7,046.0**	**325.8**	**7,371.8**

GIT	Note	Attributable to Goodman Securityholders									
		Issued capital $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Total reserves $M	(Accumulated losses)/retained earnings $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2017		**7,310.5**	**12.3**	**(1.5)**	**(195.2)**	**103.5**	**(80.9)**	**(183.6)**	**7,046.0**	**325.8**	**7,371.8**
Total comprehensive income/(loss) for the year											
Profit for the year		–	–	–	–	–	–	711.3	711.3	4.6	715.9
Other comprehensive income/(loss)											
Effect of foreign currency translation		–	0.7	–	37.0	–	37.7	–	37.7	–	37.7
Cash flow hedges:											
– Change in value of financial instruments		–	–	3.0	–	–	3.0	–	3.0	–	3.0
Decrease due to revaluation of other financial assets		–	(2.5)	–	–	–	(2.5)	–	(2.5)	–	(2.5)
Total other comprehensive (loss)/income for the year, net of tax		–	(1.8)	3.0	37.0	–	38.2	–	38.2	–	38.2
Total comprehensive (loss)/income for the year		**–**	**(1.8)**	**3.0**	**37.0**	**–**	**38.2**	**711.3**	**749.5**	**4.6**	**754.1**
Transfers		–	–	–	–	–	–	(1.2)	(1.2)	1.2	–
Contributions by and distributions to owners											
Distributions on ordinary units	15	–	–	–	–	–	–	(414.2)	(414.2)	–	(414.2)
Distributions on Goodman PLUS	18(c)	–	–	–	–	–	–	–	–	(4.6)	(4.6)
Issue of ordinary units under the Goodman's LTIP	16(a)	70.8	–	–	–	–	–	–	70.8	–	70.8
Equity settled share based payments transaction relating to Goodman		–	–	–	–	25.8	25.8	–	25.8	–	25.8
Repurchase of Goodman PLUS	18(c)	–	–	–	–	–	–	–	–	(327.0)	(327.0)
Balance at 30 June 2018		**7,381.3**	**10.5**	**1.5**	**(158.2)**	**129.3**	**(16.9)**	**112.3**	**7,476.7**	**–**	**7,476.7**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2018

	Note	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Cash flows from operating activities					
Property income received		148.3	178.2	83.5	113.7
Cash receipts from development activities		1,460.3	1,040.1	38.2	–
Other cash receipts from services provided		285.5	271.8	–	–
Property expenses paid		(42.1)	(49.2)	(26.3)	(32.4)
Payments for development activities		(731.5)	(867.6)	(0.6)	(1.2)
Other cash payments in the course of operations		(287.8)	(260.2)	(48.0)	(52.6)
Distributions received from equity accounted investments		465.3	440.4	340.2	273.3
Interest received		32.1	22.2	28.2	17.8
Finance costs paid		(109.3)	(143.0)	(108.0)	(130.2)
Net income taxes (paid)/received		(59.6)	(46.3)	0.1	(0.5)
Net cash provided by operating activities	17(b)	**1,161.2**	**586.4**	**307.3**	**187.9**
Cash flows from investing activities					
Net proceeds from disposal of investment properties		459.9	1,121.5	102.8	1,141.7
Net proceeds from disposal of equity investments		208.2	(0.3)	5.2	10.0
Cash recognised on restructure of Brazil operations		–	0.5	–	–
Acquisition of non-controlling interest		–	(12.1)	–	–
Payments for investment properties		(118.1)	(113.7)	(16.6)	(35.4)
Payments for equity investments		(571.1)	(260.7)	(361.4)	(157.3)
Payments for plant and equipment		(5.4)	(5.2)	–	–
Net cash (used in)/provided by investing activities		**(26.5)**	**730.0**	**(270.0)**	**959.0**
Cash flows from financing activities					
Repurchase of Goodman PLUS		(327.0)	–	(327.0)	–
Net cash flows from loans with related parties		(10.1)	(11.2)	956.5	107.5
Proceeds from borrowings		1,867.1	48.4	1,867.1	13.5
Payments on borrowings and derivative financial instruments		(1,678.6)	(114.6)	(1,615.5)	(107.2)
Cash outflow on debt restructure/modification		(162.2)	(17.8)	(162.2)	(17.8)
Distributions paid		(488.4)	(461.1)	(488.4)	(443.3)
Net cash (used in)/provided by financing activities		**(799.2)**	**(556.3)**	**230.5**	**(447.3)**
Net increase in cash held		335.5	760.1	267.8	699.6
Cash and cash equivalents at the beginning of the year		2,095.1	1,337.0	1,882.5	1,183.6
Effect of exchange rate fluctuations on cash held		(23.8)	(2.0)	(20.6)	(0.7)
Cash and cash equivalents at the end of the year	17(a)	**2,406.8**	**2,095.1**	**2,129.7**	**1,882.5**

The consolidated cash flow statements are to be read in conjunction with the accompanying notes.

Non-cash transactions are included in note 17(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This section sets out the general basis upon which Goodman and GIT have prepared their financial statements and information that is disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

Specific accounting policies can be found in the section to which they relate.

1. BASIS OF PREPARATION

Goodman Limited and Goodman Industrial Trust are for profit entities domiciled in Australia.

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB. The consolidated financial statements also comply with IFRS.

The consolidated financial statements are presented in Australian dollars and were authorised for issue by the Directors on 17 August 2018.

(b) Basis of preparation of the consolidated financial reports

The stapling of the Company, the Trust and GLHK was implemented on 22 August 2012. Shares in the Company, units in the Trust and CDIs over shares in GLHK are stapled to one another and are quoted as a single security on the ASX. Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company, the Trust and GLHK, the Company is identified as having acquired control over the assets of the Trust and GLHK. In the consolidated statement of financial position of the Group, equity attributable to the Trust and the CDIs over the shares of GLHK are presented as non-controlling interests.

As permitted by the relief provided in ASIC Instrument 18-0353, these financial statements present both the financial statements and accompanying notes of Goodman and GIT. GLHK, which is incorporated and domiciled in Hong Kong, prepares its financial statements under Hong Kong Financial Reporting Standards and the applicable requirements of the Hong Kong Companies Ordinance and accordingly the financial statements of GLHK have not been combined and included as adjacent columns in this report. The financial statements of GLHK have been included as an appendix to this report.

The consolidated financial statements are prepared on the historical cost basis, subject to any impairment of assets, except that the following assets and liabilities are stated at fair value:

+ investment properties;
+ derivative financial instruments;
+ financial instruments classified as available for sale; and
+ liabilities for cash settled share based payment arrangements.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in these consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

(c) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the controlled entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's and the Trust's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of controlled foreign operations are translated into Australian dollars at foreign exchange rates ruling at the balance date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. On cessation of operations in a foreign region, the cumulative exchange differences relating to the operations in that region, that have been included in the foreign currency translation reserve, are reclassified to profit or loss.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(c) Foreign currency translation continued

Exchange rates used

The following exchange rates are the main exchange rates used in translating foreign currency transactions, balances and financial statements to Australian dollars:

	Weighted average		As at 30 June	
Australian dollar (AUD) to	2018	2017	2018	2017
New Zealand dollars (NZD)	1.0851	1.0585	1.0922	1.0482
Hong Kong dollars (HKD)	6.0659	5.8554	5.8015	5.9935
Chinese yuan (CNY)	5.0429	5.1339	4.8975	5.1939
Japanese yen (JPY)	85.5326	82.2666	81.9120	86.2610
Euros (EUR)	0.6498	0.6920	0.6332	0.6727
British pounds sterling (GBP)	0.5760	0.5948	0.5604	0.5902
United States dollars (USD)	0.7752	0.754	0.7394	0.7678
Brazilian real (BRL)	2.5684	2.4316	2.8565	2.5385

(d) Changes in accounting policies

There are no significant changes in accounting policies for the current financial year.

(e) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following Australian Accounting Standards were available for early adoption but have not been applied in preparing these financial statements:

+ Revised AASB 9 Financial Instruments include requirements for the classification and measurement of financial assets and replaces AASB 139 Financial Instruments: Recognition and Measurement. Revised AASB 9 Financial Instruments will become mandatory for the FY19 financial statements but is not expected to have a material impact for Goodman and GIT;
+ AASB 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard does not apply to the recognition of rental income from investment properties and therefore is not expected to have a material impact on GIT's financial statements. Goodman's other principal revenue streams have been reviewed and based on current contractual arrangements, there will be no change to the Group's revenue recognition. There will however, be additional disclosures in respect of contractual arrangements where Goodman's management and development performance obligations are satisfied over time; and
+ AASB 16 Leases introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The new standard will be effective for the FY20 financial statements.
  As a lessee, GIT has no material leases and therefore the new standard will not have a material impact. Goodman leases office buildings, motor vehicles and development land (classified as inventories) and as at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases were $166.1 million, on an undiscounted basis, of which $114.2 million relates to leases of development land (inventories). The most significant factor in determining the impact for FY20 is likely to be acquisitions and disposals of land leases (inventories), but this is not expected to be material in the context of the Group's statement of financial position.
  In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the operating lease expense with a depreciation charge for right-of-use asset and interest expense for lease liabilities. However, this will only impact the treatment of office buildings, motor vehicles, etc as expenses associated with development land leases will be capitalised to inventories.

(f) Critical accounting estimates used in the preparation of the consolidated financial statements

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by Goodman. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year can be found in the following notes:

+ Note 6 – Property assets;
+ Note 10 – Goodwill and intangible assets; and
+ Note 14 – Financial risk management.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Measurement of fair values

A number of Goodman's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, Goodman uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

+ 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); and
+ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the following notes:

+ Note 6 – Property assets; and
+ Note 14 – Financial risk management.

RESULTS FOR THE YEAR

The notes in this section focus on the significant items in the income statement, and include the profit per security, analysis of the results by operating segment and taxation details.

2. PROFIT BEFORE INCOME TAX

Gross property income

Gross property income comprises rental income entitlements under operating leases (net of incentives provided) and amounts billed to customers for outgoings (e.g. rates, levies, cleaning, security, etc). Amounts billed to customers for outgoings is a cost recovery for Goodman and is recognised once the expense has been incurred. The expense is included in property expenses.

Rental income entitlements under operating leases are recognised on a straight-line basis over the term of the lease contract. Where operating lease rental income is recognised relating to fixed increases in rentals in future years, an asset is recognised. This asset is a component of the relevant investment property carrying amount. The cost of lease incentives provided to customers is amortised on a straight-line basis over the life of the lease as a reduction of gross property income.

Management income

Fee income derived from investment management and property services is recognised progressively as the services are provided. Any performance related investment management income is recognised when the services have been performed and the income can be reliably measured.

Development income

Development income comprises income from disposal of inventories, fee income from development management services and income from fixed price construction contracts.

The disposal of inventories is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the income statement in the period of disposal.

Where Goodman contracts to sell a completed development asset either prior to or during the development phase and certain conditions are met, then development profit is recognised in the income statement in proportion to the stage of completion of the development. In these circumstances, the asset will be transferred from inventories to receivables.

Fee income from development management services is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs incurred. Any performance related development management income is recognised on attainment of the performance related consideration.

Certain development activities on land owned by third parties are assessed as being fixed price construction contracts. Revenue and expenses relating to these construction contracts are recognised in the income statement in proportion to the stage of completion of the relevant contracts.

Net gain on disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred.

Employee expenses

Wages, salaries and annual leave

Wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided to the balance date. These are calculated at undiscounted amounts based on rates that are expected to be paid as at balance date including related on-costs, such as workers' compensation insurance and payroll tax.

Bonus

A liability is recognised in other payables and accruals for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for bonuses that are expected to be settled within 12 months are measured at the amounts expected to be paid, including related on-costs, when they are settled. Liabilities for bonuses, including related on-costs, which are expected to be settled after more than 12 months are discounted to reflect the estimated timing of payments.

Superannuation

Defined contribution funds

Obligations for contributions to defined contribution funds are recognised as an expense as incurred.

Defined benefit plans

The net obligation in respect of defined benefit funds is recognised in the statement of financial position and is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Results for the year continued

2. PROFIT BEFORE INCOME TAX CONTINUED

Profit before income tax has been arrived at after crediting/(charging) the following items:

		Goodman		GIT	
	Note	2018 $M	2017 $M	2018 $M	2017 $M
Gross property income					
Rental income		131.0	148.2	66.6	89.2
Recovery of property outgoings		19.4	28.9	15.8	22.7
Gross property income		**150.4**	**177.1**	**82.4**	**111.9**
Development activities					
Income from disposal of inventories		402.7	318.0	34.1	–
Net gain on disposal of special purpose development entities		25.9	17.7	–	–
Other development income		687.2	871.4	–	–
Development income		**1,115.8**	**1,207.1**	**34.1**	**–**
Inventory cost of sales		(362.4)	(271.8)	(27.4)	–
Other development expenses		(446.5)	(648.1)	–	–
Development expenses		**(808.9)**	**(919.9)**	**(27.4)**	**–**
Disposal of equity investments					
Net consideration from disposal of associates and joint ventures (JVs)		340.8	6.5	126.5	10.2
Carrying value of associates and JVs disposed	6(f)(i), 6(f)(ii)	(300.1)	(6.6)	(87.2)	(9.3)
Net profit/(loss) on disposal of equity investments		**40.7**	**(0.1)**	**39.3**	**0.9**
Disposal of controlled entities					
Net consideration received and receivable from the disposal of controlled entities		–	0.4	0.2	0.1
Net gain on disposal of controlled entities		**–**	**0.4**	**0.2**	**0.1**
Employee expenses					
Wages, salaries and on-costs		(168.5)	(162.0)	–	–
Annual and long service leave		(4.2)	(1.8)	–	–
Superannuation costs		(8.0)	(7.9)	–	–
Restructure costs		–	(24.2)	–	–
Employee expenses		**(180.7)**	**(195.9)**	**–**	**–**
Share based payments					
Equity settled share based payments expense		(82.4)	(62.5)	–	–
Cash settled share based payments expense		(29.9)	(15.0)	–	–
Other share based payments related costs		(13.3)	(7.9)	–	–
Share based payments expense		**(125.6)**	**(85.4)**	**–**	**–**
Amortisation and depreciation					
Amortisation of leasehold improvements		(0.9)	(0.6)	–	–
Depreciation of plant and equipment		(5.3)	(7.9)	–	–
Amortisation and depreciation		**(6.2)**	**(8.5)**	**–**	**–**
Impairment losses					
Impairment of inventories	6(d)	–	(75.5)	–	–
Impairment of equity accounted investments	6(f)(i)	–	(17.5)	–	–
Impairment losses		**–**	**(93.0)**	**–**	**–**

Results for the year continued

3. PROFIT PER SECURITY

Basic profit per security of the Group is calculated by dividing the profit attributable to the Securityholders by the weighted average number of securities outstanding during the year. Diluted profit per security is determined by adjusting the profit attributable to the Securityholders and weighted average number of securities outstanding for all dilutive potential securities, which comprise performance rights issued under the LTIP and securities contingently issuable on conversion of hybrid securities.

(a) Goodman	2018 ¢	2017 ¢
Profit per security		
Basic profit per security	61.1	43.5
Diluted profit per security	59.4	42.6

Profit after tax used in calculating basic and diluted profit per security:

		2018 $M	2017 $M
Profit per security			
Profit after tax used in calculating basic profit per security		1,098.2	778.1
Distribution on Goodman PLUS	18(c)	4.6	18.7
Profit after tax used in calculating diluted profit per security		**1,102.8**	**796.8**

Weighted average number of securities used in calculating basic and diluted profit per security:

	2018 Number of securities	2017 Number of securities
Weighted average number of securities used in calculating basic profit per security	**1,798,818,105**	**1,787,315,792**
Effect of performance rights on issue	48,199,884	45,754,728
Effect of issue of securities to Goodman PLUS holders	10,155,659	39,334,150
Weighted average number of securities used in calculating diluted profit per security	**1,857,173,648**	**1,872,404,670**

The calculation of profit per security is not required for GIT.

(b) Goodman Limited

Under Australian Accounting Standards, the issued units of the Trust and the CDIs over the shares of GLHK are presented as non-controlling interests. As a consequence, the Directors are required to present a profit/(loss) per share and a diluted profit/(loss) per share based on Goodman Limited's consolidated result after tax but excluding the results attributable to the Trust and GLHK and also the other non-controlling interests (Goodman PLUS).

	2018 ¢	2017 ¢
Profit/(loss) per Goodman Limited share		
Basic profit/(loss) per Goodman Limited share	10.1	(3.3)
Diluted profit/(loss) per Goodman Limited share	9.9	(3.3)

The profit after tax used in calculating the basic and diluted profit/(loss) per Goodman Limited share was $182.5 million and $183.6 million respectively (2017: loss of $58.2 million) and the weighted average number of securities used in calculating basic and diluted profit/(loss) per Goodman Limited share was 1,798,818,105 and 1,857,173,648 respectively (2017: 1,787,315,792).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Results for the year continued

4. SEGMENT REPORTING

An operating segment is a component of Goodman that engages in business activities from which it may earn revenues and incur expenses. Goodman reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and Goodman has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (primarily Germany, France and Poland), United Kingdom and the Americas (North America and Brazil).

The United Kingdom is not a material operating segment for GIT.

The activities and services undertaken by the operating segments include:

+ property investment, including both direct ownership and cornerstone investments in managed partnerships;
+ management activities, both fund and property management; and
+ development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for managed partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, investment properties and the operating segment's investments in managed partnerships, but exclude inter-entity funding, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude interest bearing liabilities, derivative financial instruments, provisions for distributions and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements of Goodman and GIT.

There are no intersegment revenues and costs.

Information regarding the operations of each reportable segment is included on the following pages.

Information about reportable segments

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
Income statement	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
External revenues												
Gross property income	111.4	142.0	2.9	1.3	12.6	9.3	5.0	4.5	18.5	20.0	150.4	177.1
Management income	122.8	99.3	134.4	110.7	53.6	44.8	2.5	9.2	3.2	2.3	316.5	266.3
Development income	94.5	249.5	79.0	52.0	660.3	816.9	188.5	73.0	93.5	15.7	1,115.8	1,207.1
Total external revenues	**328.7**	**490.8**	**216.3**	**164.0**	**726.5**	**871.0**	**196.0**	**86.7**	**115.2**	**38.0**	**1,582.7**	**1,650.5**
Reportable segment profit before tax	**474.2**	**505.3**	**245.1**	**229.4**	**226.2**	**204.9**	**14.9**	**25.7**	**94.8**	**35.0**	**1,055.2**	**1,000.3**
Share of net results of equity accounted investments	285.3	326.1	246.9	174.6	133.5	56.0	12.5	(17.3)	232.7	48.3	910.9	587.7
Material non-cash items not included in reportable segment profit before tax												
Net gain from fair value adjustments on investment properties	71.1	180.9	–	–	–	–	–	–	–	–	71.1	180.9
Reversals of impairments/(impairment losses)	–	–	–	–	–	0.2	–	(93.2)	–	–	–	(93.0)
Statement of financial position	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Reportable segment assets	**4,848.0**	**4,827.0**	**2,208.1**	**1,859.2**	**2,012.1**	**1,822.0**	**736.3**	**1,042.1**	**1,342.4**	**1,047.9**	**11,146.9**	**10,598.2**
Non-current assets	4,527.9	4,718.5	1,979.9	1,665.4	1,621.5	1,350.0	440.6	442.9	1,124.4	713.1	9,694.3	8,889.9
Included in reportable segment assets are:												
Investment properties	1,744.1	1,958.8	–	–	–	22.5	30.5	28.9	–	–	1,774.6	2,010.2
Investments accounted for using the equity method	2,736.8	2,670.6	1,816.2	1,471.3	798.3	615.4	118.6	265.4	1,115.6	703.6	6,585.5	5,726.3
Reportable segment liabilities	**201.5**	**223.8**	**100.4**	**87.5**	**90.7**	**68.1**	**80.1**	**94.3**	**73.7**	**45.1**	**546.4**	**518.8**

Results for the year continued

4. SEGMENT REPORTING CONTINUED

GIT	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
Income statement	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**
External revenues										
Gross property income	80.9	109.7	–	–	–	–	–	–	80.9	109.7
Distributions from investments	–	–	–	–	7.4	–	–	–	7.4	–
Other income	(0.1)	–	–	–	0.5	0.5	–	–	0.4	0.5
Total external revenues	**80.8**	**109.7**	**–**	**–**	**7.9**	**0.5**	**–**	**–**	**88.7**	**110.2**
Reportable segment profit before tax	**249.1**	**401.6**	**29.6**	**29.1**	**68.6**	**27.5**	**24.9**	**13.8**	**372.2**	**472.0**
Share of net results of equity accounted investments	242.5	284.2	150.4	49.3	116.6	50.0	224.2	46.6	733.7	430.1
Material non-cash items not included in reportable segment profit before tax										
Net gain from fair value adjustments on investment properties	56.0	159.3	–	–	–	–	–	–	56.0	159.3

Statement of financial position	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Reportable segment assets	**3,803.1**	**3,634.3**	**900.8**	**748.1**	**703.4**	**550.1**	**1,075.7**	**678.3**	**6,483.0**	**5,610.8**
Non-current assets	3,629.4	3,619.4	900.8	748.1	698.5	550.0	1,075.6	678.2	6,304.3	5,595.7
Included in reportable segment assets are:										
Investment properties	1,222.4	1,263.5	–	–	–	–	–	–	1,222.4	1,263.5
Investments accounted for using the equity method	2,369.5	2,318.2	900.8	748.0	676.0	526.3	1,075.6	678.3	5,021.9	4,270.8
Reportable segment liabilities	**142.6**	**167.3**	**–**	**–**	**3.4**	**0.1**	**43.7**	**13.5**	**189.7**	**180.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Results for the year continued

4. SEGMENT REPORTING CONTINUED

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

		Goodman		GIT	
	Note	2018 $M	2017 $M	2018 $M	2017 $M
Revenues					
Total revenue for reportable segments		1,582.7	1,650.5	88.7	110.2
Total revenue for other segments[1]		–	–	35.6	2.2
Consolidated revenues		**1,582.7**	**1,650.5**	**124.3**	**112.4**
Profit or loss					
Total profit before tax for reportable segments[2]					
Property investment earnings		384.8	396.7		
Management earnings		316.5	266.6		
Development earnings		490.6	482.9		
Operating expenses allocated to reportable segments		(136.7)	(145.9)		
Reportable segment profit before tax		**1,055.2**	**1,000.3**	**372.2**	**472.0**
Profit before tax for other segments		–	–	8.0	3.8
Corporate expenses not allocated to reportable segments		(112.7)	(102.3)	(46.0)	(49.1)
		942.5	**898.0**	**334.2**	**426.7**
Valuation and other items not included in reportable segment profit before tax:					
– Profit on disposal of investment properties		–	49.0	–	–
– Net gain from fair value adjustments on investment properties	6(e)	71.1	180.9	56.0	159.3
– Share of fair value adjustments attributable to investment properties in associates and JVs after tax	6(f)(i), 6(f)(ii)	602.7	265.8	508.3	249.4
– Impairment losses	2	–	(93.0)	–	–
– Share of fair value adjustments on derivative financial instruments in associates and JVs	6(f)(i), 6(f)(ii)	(34.3)	(50.6)	(32.6)	(49.5)
– Straight lining of rental income		0.8	(0.3)	0.7	(0.4)
– Restructure costs	2	–	(24.2)	–	–
– Share based payments expense	2	(125.6)	(85.4)	–	–
– Net capital losses not distributed and tax deferred adjustments		(4.7)	(9.6)	(3.5)	7.0
Profit before interest and tax		**1,452.5**	**1,130.6**	**863.1**	**792.5**
Net finance expense	11	(267.3)	(279.4)	(118.4)	(181.9)
Consolidated profit before income tax		**1,185.2**	**851.2**	**744.7**	**610.6**
Assets					
Assets for reportable segments		11,146.9	10,598.2	6,483.0	5,610.8
Cash		2,102.3	1,877.8	2,102.3	1,877.6
Other unallocated amounts[3]		210.2	235.2	3,223.3	3,198.8
Consolidated total assets		**13,459.4**	**12,711.2**	**11,808.6**	**10,687.2**
Liabilities					
Liabilities for reportable segments		546.4	518.8	189.7	180.9
Interest bearing liabilities		3,081.5	2,878.3	2,964.9	2,576.3
Provisions for dividends/distributions		256.6	236.2	166.6	236.2
Other unallocated amounts[3]		401.2	455.7	1,010.7	322.0
Consolidated total liabilities		**4,285.7**	**4,089.0**	**4,331.9**	**3,315.4**

1. The revenue for other segments for GIT in FY18 related to the disposal of the final directly held property in the United Kingdom. It was determined to sell this property as part of the decision to exit from business parks in FY16.
2. The allocation of GIT's segment results to property investment, management and development is not reported to the Group Chief Executive Officer.
3. Other unallocated amounts in Goodman and GIT included other financial assets and liabilities, deferred tax assets, tax payables and provisions which did not relate to the reportable segments. Additionally, other unallocated assets and liabilities in GIT included loans due from/to controlled entities of Goodman.

Results for the year continued

5. TAXATION

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not accounted for:

+ goodwill;
+ the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
+ differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets or liabilities in respect of investment properties held at fair value are calculated on the presumption that the carrying amount of the investment property will be recovered through sale. 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.

Additional income taxes that arise from dividends/distributions are recognised at the same time as the liability to pay the related dividends/distributions.

(a) Goodman

	Goodman 2018 $M	Goodman 2017 $M
Current tax expense recognised in the income statement		
Current year	(48.8)	(54.1)
Adjustment for current tax in prior periods	1.7	5.3
Current tax expense	**(47.1)**	**(48.8)**
Deferred tax expense recognised in the income statement		
Origination and reversal of temporary differences	(35.3)	(5.6)
Deferred tax expense	**(35.3)**	**(5.6)**
Total income tax expense	**(82.4)**	**(54.4)**

Reconciliation of income tax expense to profit before income tax

	2018 $M	2017 $M
Profit before income tax	1,185.2	851.2
Prima facie income tax expense calculated at 30% (2017: 30%) on the profit before income tax	(355.6)	(255.4)
Decrease/(increase) in income tax due to:		
– Profit attributable to GIT Unitholders	223.4	183.7
– Current year losses for which no deferred tax asset was recognised	(9.4)	(26.0)
– Non–deductible impairment losses and fair value movements	4.1	(5.5)
– Other non-assessable/(deductible) items, net	40.9	27.4
– Utilisation of previously unrecognised tax losses	29.7	13.1
– Difference in overseas tax rates	14.0	11.0
– Adjustment for current tax in prior periods	1.7	5.3
– Withholding tax on distributions from partnerships	(34.2)	(7.3)
– Other items	3.0	(0.7)
Income tax expense	**(82.4)**	**(54.4)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Results for the year continued

5. TAXATION CONTINUED

(a) Goodman continued

Current tax receivable/payable

	2018 $M	2017 $M
Net income tax payable		
Net income tax payable at the beginning of the year	(61.5)	(61.2)
Decrease/(increase) in current tax payable due to:		
– Net income taxes paid	59.6	46.3
– Current tax expense	(47.1)	(48.8)
– Other	(1.1)	2.2
Net income tax payable at the end of the year	**(50.1)**	**(61.5)**
Current tax receivables (refer to note 7)	9.1	2.0
Current tax payables	(59.2)	(63.5)
	(50.1)	**(61.5)**

Deferred tax assets and liabilities

Deferred tax assets/(liabilities) are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2018 $M	2017 $M	2018 $M	2017 $M
Investment properties	–	–	(69.6)	(95.6)
Receivables	–	0.4	(8.1)	(6.9)
Tax losses	0.5	47.6	–	–
Payables	–	11.1	–	–
Provisions	5.5	7.7	–	–
Tax assets/(liabilities)	**6.0**	**66.8**	**(77.7)**	**(102.5)**
Set off of tax	–	(56.6)	–	56.6
Net tax assets/(liabilities)	**6.0**	**10.2**	**(77.7)**	**(45.9)**

Deferred tax assets of $294.4 million (2017: $308.9 million) in relation to tax losses and payables have not been recognised by Goodman.

(b) GIT

Under current Australian income tax legislation, the Trust is not liable for income tax, including capital gains tax, provided that Securityholders are presently entitled to the distributable income of the Trust as calculated for trust law purposes. The controlled entities of the Trust that operate in certain foreign jurisdictions are liable to pay tax in those jurisdictions.

The income tax (expense)/benefit recorded by GIT relates to withholding taxes on actual distributions and deferred taxes on potential future distributions from managed partnerships. At 30 June 2018, deferred tax liabilities of $43.2 million (2017: $11.8 million) have been recognised in relation to potential future distributions from managed partnerships.

OPERATING ASSETS AND LIABILITIES

The notes in this section focus on Goodman's property assets, working capital and goodwill and intangible assets.

6. PROPERTY ASSETS

(a) Principles and policies

Investment in property assets includes both inventories and investment properties (including those under development), which may be held either directly or through investments in managed partnerships (both associates and JVs).

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of business. Where property developments are forecast to be completed and sold more than 12 months after the balance date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes.

Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Changes in the fair value of investment properties are recognised directly in the income statement.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial report.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classed as being under development and would be completed properties that are leased or are available for lease to customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to consider whether they reflect the fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(b) Summary of investment in property assets

		Goodman		GIT	
	Note	2018 $M	2017 $M	2018 $M	2017 $M
Inventories					
Current	6(d)	520.5	709.7	–	23.1
Non-current	6(d)	437.5	525.8	37.5	37.0
		958.0	**1,235.5**	**37.5**	**60.1**
Investment properties – non-current					
Stabilised investment properties		1,624.3	1,833.8	1,211.6	1,246.0
Investment properties under development		150.3	176.4	10.8	17.5
	6(e)	**1,774.6**	**2,010.2**	**1,222.4**	**1,263.5**
Investments accounted for using the equity method					
Current					
Associate – held for sale	6(f)(i)	–	203.6	–	–
		–	**203.6**	**–**	**–**
Non-current					
Associates	6(f)(i)	4,162.4	3,703.4	3,569.8	3,159.0
JVs	6(f)(ii)	2,423.1	1,819.3	1,452.1	1,111.8
		6,585.5	**5,522.7**	**5,021.9**	**4,270.8**
Total property assets		**9,318.1**	**8,972.0**	**6,281.8**	**5,594.4**

(c) Estimates and assumptions in determining property carrying values

Inventories

For both inventories held directly and inventories held in managed partnerships, external valuations are not performed but instead valuations are determined using the feasibility studies supporting the land and property developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market. Where the feasibility study calculations indicate that the forecast cost of a completed development will exceed the net realisable value, then the inventories are impaired.

Investment properties

Stabilised investment properties

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in managed partnerships.

Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Recent and relevant sales evidence and other market data are taken into account. Valuations are either based on an external, independent valuation or on an internal valuation.

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:

+ function of the asset (distribution/warehouse or suburban office);
+ location of asset (city, suburb or regional area);
+ carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
+ categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure, and/or there has been a change in use (or zoning) of the asset and/or it has been three years since the previous external, independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(c) Estimates and assumptions in determining property carrying values continued

Where a market segment is observed to be inactive, then no external, independent valuations are performed and internal valuations are undertaken based on discounted cash flow (DCF) calculations. The DCF calculations are prepared over a 10 year period. The key inputs considered for each individual calculation are rental growth rates, discount rates, market rental rates and letting up incentives. Discount rates are computed using the 10 year bond rate or equivalent in each jurisdiction plus increments to reflect country risk, tenant credit risk and industry risk. Where possible, the components of the discount rate are benchmarked to available market data.

Market assessment

At 30 June 2018, all markets in which Goodman operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. The overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are as set out in the table below:

	Total portfolio weighted average capitalisation rate			
	Goodman		GIT	
Division	2018 %	2017 %	2018 %	2017 %
Australia and New Zealand[1]	5.9	6.1	5.8	6.1
Asia	5.0	5.4	4.6	5.2
Continental Europe	5.4	6.0	5.5	6.1
United Kingdom	5.4	6.3	–	–
Americas	4.2	4.3	4.2	4.3

1. For Australia and New Zealand, the weighted average capitalisation rate excluded assets rezoned for residential mixed use that were valued on a rate per residential unit site basis.

During the current financial year, the fair values of 69% (2017: 100%) of stabilised investment properties held directly by Goodman and GIT (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For investments in managed partnerships, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

This practice of determining fair value by reference to the development feasibility is generally also applied for investments in managed partnerships. However, certain partnerships do obtain independent valuations for investment properties under development each financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(d) Inventories

	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Current				
Land and development properties	520.5	709.7	–	23.1
	520.5	**709.7**	**–**	**23.1**
Non-current				
Land and development properties	437.5	525.8	37.5	37.0
	437.5	**525.8**	**37.5**	**37.0**

Goodman

During the financial year, impairments of $nil (2017: $75.5 million) were recognised to write down land and development properties to net realisable value.

During the financial year, borrowing costs of $67.8 million (2017: $37.1 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal of the inventories.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Carrying amount at the beginning of the year	2,010.2	2,720.7	1,263.5	2,079.5
Acquisitions	53.2	–	–	–
Capital expenditure	76.7	96.7	12.8	7.8
Disposals:				
– Carrying value of properties disposed	(415.0)	(985.0)	(109.6)	(956.7)
– On disposal of interests in controlled entities	–	–	–	(24.9)
Transfers to inventories	(23.5)	(1.1)	–	–
Net gain from fair value adjustments	71.1	180.9	56.0	159.3
Effect of foreign currency translation	1.9	(2.0)	(0.3)	(1.5)
Carrying amount at the end of the year	**1,774.6**	**2,010.2**	**1,222.4**	**1,263.5**
Analysed by segment:				
Australia and New Zealand	1,744.1	1,958.8	1,222.4	1,263.5
Continental Europe	–	22.5	–	–
United Kingdom	30.5	28.9	–	–
	1,774.6	**2,010.2**	**1,222.4**	**1,263.5**

Goodman

During the financial year, borrowing costs of $40.4 million (2017: $38.5 million) previously capitalised into the carrying value of investment properties were expensed to the income statement on disposal of the investment properties.

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation method used (see notes 1(f) and 6(c)). The majority of directly held investment properties are in Australia and the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs, are summarised in the table below:

Valuation technique	Significant unobservable inputs	2018	2017
Income capitalisation	Range of net market rents (per square metre per annum)	$40 to $276	$40 to $276
	Capitalisation rate (weighted average)	5.8%	6.1%

The estimated fair value would increase if net market rents were higher and/or if capitalisation rates were lower. The estimated fair value would decrease if the net market rents were lower and/or if the capitalisation rates were higher.

In the prior year, there were assets in Sydney, NSW that had been rezoned for residential mixed use. The valuations of these were determined by reference to comparable sales data, as summarised in the table below:

Valuation technique	Significant unobservable input	2018	2017
Direct comparison	Sales price for comparable residential sites (rate per unit)	n/a	$200,000 to $250,000

The weighted average lease expiries of Goodman's and GIT's directly held investment properties in Australia are 3.9 and 2.9 years respectively.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(e) Investment properties continued

Non-cancellable operating lease commitments receivable from investment property customers

The analysis in the table below reflects the gross property income, excluding recoverable outgoings, based on existing lease agreements. It assumes that leases will not extend beyond the next review date, where the customer has an option to end the lease.

	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Non-cancellable operating lease commitments receivable:				
– Within one year	84.1	105.8	55.5	60.4
– One year or later and no later than five years	188.5	267.3	110.8	121.7
– Later than five years	146.9	284.3	23.2	23.9
	419.5	**657.4**	**189.5**	**206.0**

(f) Investments accounted for using the equity method

Investments accounted for using the equity method comprise associates and JVs, which are collectively referred to as managed partnerships.

Associates

An associate is an entity in which Goodman exercises significant influence but not control over its financial and operating policies. In the consolidated financial statements, investments in associates are accounted for using the equity method. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Under this method, Goodman's share of post-acquisition gains or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in consolidated reserves. Cumulative post-acquisition movements in both profit or loss and reserves are adjusted against the cost of the investment.

JVs

A JV is an arrangement in which Goodman has joint control, whereby Goodman has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. Goodman's share of the JVs' net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with associates and JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of Goodman's interest. Unrealised gains relating to associates and JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains unless they evidence an impairment of an asset.

(i) Investments in associates

Investments in associates are summarised below:

	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Associates				
Current assets – held for sale	–	203.6	–	–
Non-current assets	4,162.4	3,703.4	3,569.8	3,159.0
	4,162.4	**3,907.0**	**3,569.8**	**3,159.0**

During the financial year, Goodman disposed of its entire interest in the Arlington Business Parks Partnership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

Investments in associates are set out below:

		Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
Name of associate	Country of establishment	2018 $M	2017 $M	2018 %	2017 %	2018 $M	2017 $M	2018 $M	2017 $M	2018 %	2017 %	2018 $M	2017 $M
Property investment													
Goodman Australia Industrial Partnership (GAIP)	Australia	128.5	135.9	27.9	27.5	1,319.7	1,256.7	128.5	135.9	27.9	27.5	1,319.7	1,256.6
Goodman Australia Partnership (GAP)	Australia	76.2	100.4	19.9	19.9	673.4	628.1	76.2	100.4	19.9	19.9	673.4	628.1
Goodman Property Trust (GMT)[1]	New Zealand	37.6	40.2	21.2	21.0	354.9	342.8	–	–	–	–	–	–
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	150.3	49.3	20.0	20.0	900.8	748.1	150.3	49.3	20.0	20.0	900.8	748.1
Goodman Japan Core Partnership (GJCP)[2]	Japan	22.2	27.7	17.3	16.8	237.7	201.5	–	–	–	–	–	–
Goodman European Partnership (GEP)	Luxembourg	116.6	50.0	20.4	20.4	675.9	526.2	116.6	50.0	20.4	20.4	675.9	526.2
Arlington Business Parks Partnership (ABPP)	United Kingdom	–	(22.5)	–	43.1	–	203.6	–	–	–	–	–	–
		531.4	**381.0**			**4,162.4**	**3,907.0**	**471.6**	**335.6**			**3,569.8**	**3,159.0**

1. GMT is listed on the New Zealand Stock Exchange (NZX). The market value of Goodman's investment in GMT at 30 June 2018 using the quoted price on the last day of trading was $350.8 million (2017: $315.1 million).
2. Goodman's ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

The reconciliation of the carrying amount of investments in associates is set out as follows:

	Goodman		GIT	
Movement in carrying amount of investments in associates	2018 $M	2017 $M	2018 $M	2017 $M
Carrying amount at the beginning of the year	3,907.0	3,733.0	3,159.0	2,947.4
Share of net results after tax (before fair value adjustments)	236.1	249.6	204.5	193.4
Share of fair value adjustments attributable to investment properties after tax	329.6	182.3	299.7	192.0
Share of fair value adjustments on derivative financial instruments	(34.3)	(50.9)	(32.6)	(49.8)
Share of net results	531.4	381.0	471.6	335.6
Share of movements in reserves	2.4	0.6	2.4	0.6
Impairment	–	(17.5)	–	–
Acquisitions	122.5	79.8	97.2	51.5
Disposals	(212.9)	(3.2)	–	–
Distributions received and receivable	(256.8)	(203.7)	(226.5)	(150.4)
Effect of foreign currency translation	68.8	(63.0)	66.1	(25.7)
Carrying amount at the end of the year	**4,162.4**	**3,907.0**	**3,569.8**	**3,159.0**

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

The table below includes further information regarding associates held at the end of the financial year:

	GAIP		GAP		GMT		GHKLP		GJCP[2]		GEP	
	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Summarised statement of financial position												
Total current assets	231.8	630.8	270.2	226.0	36.0	27.0	74.5	227.8	103.9	102.9	1,081.6	191.9
Total non-current assets	6,561.8	5,991.6	3,437.7	3,326.7	2,343.5	2,430.5	5,922.2	4,504.8	2,215.4	1,926.3	4,605.0	4,271.2
Total current liabilities	285.8	326.6	41.6	124.8	32.8	68.0	95.1	81.6	25.2	15.5	262.8	170.0
Total non-current liabilities	1,887.1	1,789.4	281.1	273.3	703.5	787.0	1,404.6	917.0	917.4	822.6	2,105.4	1,709.6
Net assets (100%)	**4,620.7**	**4,506.4**	**3,385.2**	**3,154.6**	**1,643.2**	**1,602.5**	**4,497.0**	**3,734.0**	**1,376.7**	**1,191.1**	**3,318.4**	**2,583.5**
Summarised statement of comprehensive income												
Revenue	414.9	402.5	257.7	264.4	140.5	137.1	233.0	245.8	163.3	331.5	284.9	242.8
Profit after tax and revaluations	461.9	493.6	382.5	504.5	178.0	192.6	751.5	246.4	120.1	146.1	574.7	247.8
Other comprehensive (loss)/income	–	(0.2)	2.8	(6.3)	–	–	14.1	–	–	–	–	–
Total comprehensive income (100%)	**461.9**	**493.4**	**385.3**	**498.2**	**178.0**	**192.6**	**765.6**	**246.4**	**120.1**	**146.1**	**574.7**	**247.8**
Goodman												
Consolidated ownership interest	27.9%	27.5%	19.9%	19.9%	21.2%	21.0%	20.0%	20.0%	17.3%	16.8%	20.4%	20.4%
Consolidated share of net assets	1,289.5	1,240.5	674.0	628.1	348.3	336.5	899.4	746.8	237.9	200.1	675.9	526.2
Other items, including capitalised costs	0.8	–	(1.4)	–	6.6	6.3	1.4	1.3	(0.2)	1.4	–	–
Distributions receivable[1]	29.4	16.2	0.8	–	–	–	–	–	–	–	–	–
Carrying amount of investment	**1,319.7**	**1,256.7**	**673.4**	**628.1**	**354.9**	**342.8**	**900.8**	**748.1**	**237.7**	**201.5**	**675.9**	**526.2**
Distributions received and receivable	**123.0**	**65.7**	**32.5**	**22.1**	**16.7**	**16.8**	**30.7**	**29.9**	**13.6**	**36.5**	**40.3**	**32.7**
GIT												
Consolidated ownership interest	27.9%	27.5%	19.9%	19.9%	–	–	20.0%	20.0%	–	–	20.4%	20.4%
Consolidated share of net assets	1,289.5	1,240.4	674.0	628.1	–	–	899.4	746.8	–	–	675.9	526.2
Other items, including capitalised costs	0.8	–	(1.4)	–	–	–	1.4	1.3	–	–	–	–
Distributions receivable[1]	29.4	16.2	0.8	–	–	–	–	–	–	–	–	–
Carrying amount of investment	**1,319.7**	**1,256.6**	**673.4**	**628.1**	**–**	**–**	**900.8**	**748.1**	**–**	**–**	**675.9**	**526.2**
Distributions received and receivable	**123.0**	**65.7**	**32.5**	**22.1**	**–**	**–**	**30.7**	**29.9**	**–**	**–**	**40.3**	**32.7**

1. Distributions receivable related to distributions provided for but not paid by the associates at 30 June 2018. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.
2. The consolidated ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs

A summary of the results and ownership interest of principal JVs is set out below:

		Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
Name of JV	Country of establishment/ incorporation	2018 $M	2017 $M	2018 %	2017 %	2018 $M	2017 $M	2018 $M	2017 $M	2018 %	2017 %	2018 $M	2017 $M
Property investment													
KWASA Goodman Industrial Partnership (KGIP)	Australia	16.2	38.8	40.0	40.0	166.5	158.3	16.2	38.8	40.0	40.0	166.5	158.3
KWASA Goodman Germany (KGG)[1]	Luxembourg	16.5	6.0	19.7	23.9	121.7	89.1	–	–	–	–	–	–
Property development													
Goodman Japan Development Partnership (GJDP)	Japan	17.4	57.4	50.0	50.0	127.4	68.6	–	–	–	–	–	–
Property investment and development													
Goodman China Logistics Partnership (GCLP)	Cayman Islands	58.4	40.2	20.0	20.0	545.8	447.6	–	–	–	–	–	–
Goodman UK Partnership (GUKP)	United Kingdom	12.6	3.1	33.3	33.3	109.4	48.2	–	–	–	–	–	–
Goodman North America Partnership (GNAP)	USA	232.7	48.3	55.0	55.0	1,104.9	703.6	224.1	46.6	53.0	53.0	1,064.9	678.2
Other JVs		25.7	12.9			247.4	303.9	21.8	10.3			220.7	275.3
		379.5	**206.7**			**2,423.1**	**1,819.3**	**262.1**	**95.7**			**1,452.1**	**1,111.8**

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.

The reconciliation of the carrying amount of investments in JVs is set out as follows:

	Goodman		GIT	
Movement in carrying amount of investments in JVs	2018 $M	2017 $M	2018 $M	2017 $M
Carrying amount at the beginning of the year	1,819.3	1,615.1	1,111.8	945.9
Share of net results after tax (before fair value adjustments)	106.4	122.9	53.5	38.0
Share of fair value adjustments attributable to investment properties after tax	273.1	83.5	208.6	57.4
Share of fair value adjustments on derivative financial instruments	–	0.3	–	0.3
Share of net results	379.5	206.7	262.1	95.7
Share of movements in reserves	26.6	(15.4)	–	–
Acquisitions	415.5	298.2	232.6	222.2
Disposals	(87.2)	(3.4)	(87.2)	(9.3)
Distributions/dividends received and receivable	(209.3)	(236.2)	(106.3)	(122.4)
Effect of foreign currency translation	78.7	(45.7)	39.1	(20.3)
Carrying amount at the end of the year	**2,423.1**	**1,819.3**	**1,452.1**	**1,111.8**

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

The table below includes further information regarding principal JVs held at the end of the financial year:

	KGIP		KGG[1]		GJDP		GCLP		GUKP		GNAP	
	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Summarised statement of financial position												
Current assets												
Cash and cash equivalents	1.9	2.3	57.9	29.4	93.0	24.3	191.3	150.4	3.5	4.0	22.0	24.5
Other current assets	0.8	0.9	2.9	1.6	28.6	35.7	23.4	26.6	3.3	1.7	18.0	22.7
Total current assets	**2.7**	**3.2**	**60.8**	**31.0**	**121.6**	**60.0**	**214.7**	**177.0**	**6.8**	**5.7**	**40.0**	**47.2**
Total non-current assets	**662.4**	**639.5**	**1,156.5**	**692.6**	**413.7**	**250.9**	**3,326.7**	**2,752.8**	**325.1**	**142.7**	**2,023.9**	**1,286.9**
Current liabilities												
Other current liabilities	6.4	28.5	49.9	15.3	3.0	1.1	1,962.1	1,863.9	4.8	4.9	62.4	62.1
Current liabilities	**6.4**	**28.5**	**49.9**	**15.3**	**3.0**	**1.1**	**1,962.1**	**1,863.9**	**4.8**	**4.9**	**62.4**	**62.1**
Non-current liabilities												
Financial liabilities	240.0	215.0	514.6	310.0	280.4	178.6	428.2	394.0	–	–	1.0	–
Other non-current liabilities	2.4	3.4	33.8	23.4	3.1	1.7	215.7	152.7	–	–	–	0.9
Total non-current liabilities	**242.4**	**218.4**	**548.4**	**333.4**	**283.5**	**180.3**	**643.9**	**546.7**	**–**	**–**	**1.0**	**0.9**
Net assets (100%)	**416.3**	**395.8**	**619.0**	**374.9**	**248.8**	**129.5**	**935.4**	**519.2**	**327.1**	**143.5**	**2,000.5**	**1,271.1**
Summarised statement of comprehensive income												
Revenue	44.4	44.3	97.2	38.2	38.0	128.8	130.3	109.9	9.3	5.0	56.2	46.3
Net finance expense	(8.3)	(5.0)	(6.9)	(6.4)	(0.1)	–	(21.7)	(14.7)	–	–	(0.2)	(0.2)
Income tax expense	–	–	(17.2)	(4.4)	(3.0)	(13.7)	(26.8)	(9.0)	–	–	(0.1)	(0.1)
Profit after tax and revaluations	40.5	96.3	73.1	27.4	34.9	114.6	292.2	201.5	37.9	9.4	317.9	87.9
Other comprehensive income	–	0.7	–	–	–	–	133.2	–	–	–	–	–
Total comprehensive income (100%)	**40.5**	**97.0**	**73.1**	**27.4**	**34.9**	**114.6**	**425.4**	**201.5**	**37.9**	**9.4**	**317.9**	**87.9**
Goodman												
Consolidated ownership interest	40.0%	40.0%	19.7%	23.9%	50.0%	50.0%	20.0%	20.0%	33.3%	33.3%	55.0%	55.0%
Consolidated share of net assets	166.5	158.3	121.7	89.1	124.4	64.8	187.8	103.8	109.0	47.8	1,100.3	699.1
Shareholder loan[2]	–	–	–	–	–	–	355.6	341.4	–	–	–	–
Other items, including capitalised costs	–	–	–	–	2.3	2.2	2.4	2.4	0.4	0.4	4.6	4.5
Distributions receivable	–	–	–	–	0.7	1.6	–	–	–	–	–	–
Carrying amount of investment	**166.5**	**158.3**	**121.7**	**89.1**	**127.4**	**68.6**	**545.8**	**447.6**	**109.4**	**48.2**	**1,104.9**	**703.6**
Distributions/dividends received and receivable	**8.0**	**94.0**	**6.2**	**7.0**	**48.1**	**100.2**	**8.8**	**3.4**	**–**	**–**	**31.9**	**17.2**
GIT												
Consolidated ownership interest	40.0%	40.0%	–	–	–	–	–	–	–	–	53.0%	53.0%
Consolidated share of net assets	166.5	158.3	–	–	–	–	–	–	–	–	1,060.3	673.7
Other items, including capitalised costs	–	–	–	–	–	–	–	–	–	–	4.6	4.5
Carrying amount of investment	**166.5**	**158.3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,064.9**	**678.2**
Distributions/dividends received and receivable	**8.0**	**94.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30.7**	**16.5**

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.
2. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the Directors consider the loan to form part of Goodman's investment in GCLP.

With respect to Goodman's other JVs, the total profit after tax and revaluations is $72.9 million (2017: $94.8 million) and total other comprehensive income is $nil (2017: $nil). With respect to GIT's other JVs, the total profit after tax and revaluations is $64.5 million (2017: $52.2 million) and total other comprehensive income was $nil (2017: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

Operating assets and liabilities continued

7. RECEIVABLES

Receivables comprise trade and other receivables and loans to related parties and are recognised on the date that they are originated, initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Receivables are derecognised when the contractual rights to the cash flows from the receivable expire or it transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Current				
Trade receivables	56.7	33.2	–	2.2
Tax receivables	9.1	2.0	–	–
Other receivables	244.4	421.4	23.9	–
Amounts due from related parties[1]	295.6	92.1	128.7	4.3
Loans to related parties[1]	4.2	3.3	1,956.4	1,731.0
	610.0	**552.0**	**2,109.0**	**1,737.5**
Non-current				
Other receivables	2.3	2.6	–	–
Loans to related parties[1]	69.6	32.2	1,060.9	1,202.3
	71.9	**34.8**	**1,060.9**	**1,202.3**

1. Refer to note 20 for details of amounts due from and loans to related parties.

8. PAYABLES

Trade and other payables are recognised initially at trade date fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Trade and other payables are derecognised when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Current				
Trade payables	67.5	61.2	2.0	4.2
Other payables and accruals	355.0	297.6	67.5	55.5
Rental income received in advance	–	–	1.8	2.6
Loans to related parties[1]	–	–	471.6	30.8
	422.5	**358.8**	**542.9**	**93.1**
Non-current				
Other payables and accruals	191.1	198.5	130.4	163.3
Loans to related parties[1]	–	–	335.0	–
	191.1	**198.5**	**465.4**	**163.3**

1. Refer to note 20 for details of amounts due from and loans to related parties.

Operating assets and liabilities continued

9. PROVISIONS

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

		Goodman		GIT	
	Note	2018 $M	2017 $M	2018 $M	2017 $M
Current					
Dividends/distributions to Securityholders	15	256.6	236.2	166.6	236.2
Other provisions		13.9	26.6	–	–
		270.5	**262.8**	**166.6**	**236.2**
Non-current					
Net defined benefit superannuation funds in the United Kingdom		25.1	35.1	–	–
Other provisions		9.2	11.4	–	–
		34.3	**46.5**	**–**	**–**

10. GOODWILL AND INTANGIBLE ASSETS

Goodman recognises both goodwill and indefinite life management rights in its statement of financial position.

Goodwill

Goodwill arising on the acquisition of controlled entities is stated at cost less any accumulated impairment losses (refer below). No amortisation is provided.

Management rights

When fund and/or investment management activities are acquired as part of a business combination, management rights are recorded where they arise from contractual or other legal rights, and the fair value can be measured reliably.

Management rights are stated at cost less impairment. Management rights are not amortised as they are assumed to have an indefinite life given they are routinely renewed at minimal cost.

Impairment

The carrying amounts of goodwill and management rights are tested annually for impairment. For the purpose of impairment testing, goodwill and management rights are allocated to the related cash-generating units monitored by management. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Recoverable amount is the greater of the fair value (net of disposal costs) and the value in use but given that goodwill and management rights are not frequently traded (i.e. fair value is difficult to ascertain), the recoverable amount will be equal to the value in use of the cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the goodwill allocated to the cash-generating unit, then to the carrying amount of the management rights allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss for management rights is reversed only to the extent that its carrying amount does not exceed its original cost.

A summary of Goodman's goodwill and intangible assets are set out by below:

	2018 $M	2017 $M
Goodwill	712.3	671.5
Management rights	104.4	100.4
	816.7	**771.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

The carrying value of goodwill and intangible assets is analysed by division in the table below:

Carrying amounts	2018 $M	2017 $M
Goodwill		
Continental Europe – Logistics	600.5	565.2
United Kingdom – Logistics	87.9	83.4
Other	23.9	22.9
Subtotal – goodwill	**712.3**	**671.5**
Management rights		
Continental Europe – Logistics	34.1	32.2
Other	70.3	68.2
Subtotal – management rights	**104.4**	**100.4**
Total	**816.7**	**771.9**

A reconciliation of the movement in the cost of goodwill and management rights during the financial year is set out below:

Cost	Balance at 1 July 2016 $M	Effect of foreign currency translation $M	Balance at 30 June 2017 $M	Disposals $M	Effect of foreign currency translation $M	Balance at 30 June 2018 $M
Goodwill						
Continental Europe – Logistics	572.5	(0.2)	572.3	–	35.7	608.0
United Kingdom – Logistics	126.8	(6.1)	120.7	–	6.4	127.1
Other	32.1	(2.2)	29.9	–	1.5	31.4
Subtotal – goodwill	**731.4**	**(8.5)**	**722.9**	**–**	**43.6**	**766.5**
Management rights						
Continental Europe – Logistics	32.2	–	32.2	–	1.9	34.1
United Kingdom – Business Parks	186.0	(9.2)	176.8	(186.2)	9.4	–
Other	80.9	(2.1)	78.8	–	2.7	81.5
Subtotal – management rights	**299.1**	**(11.3)**	**287.8**	**(186.2)**	**14.0**	**115.6**
Total	**1,030.5**	**(19.8)**	**1,010.7**	**(186.2)**	**57.6**	**882.1**

A reconciliation of the movement in the impairment losses during the financial year is set out below:

Impairment losses	Balance at 1 July 2016 $M	Effect of foreign currency translation $M	Balance at 30 June 2017 $M	Disposals $M	Effect of foreign currency translation $M	Balance at 30 June 2018 $M
Goodwill						
Continental Europe – Logistics	7.1	–	7.1	–	0.4	7.5
United Kingdom – Logistics	39.1	(1.9)	37.2	–	2.0	39.2
Other	7.1	–	7.1	–	0.4	7.5
Subtotal – goodwill	**53.3**	**(1.9)**	**51.4**	**–**	**2.8**	**54.2**
Management rights						
United Kingdom – Business Parks	186.0	(9.1)	176.9	(186.3)	9.4	–
Other	10.6	(0.1)	10.5	–	0.7	11.2
Subtotal – management rights	**196.6**	**(9.2)**	**187.4**	**(186.3)**	**10.1**	**11.2**
Total	**249.9**	**(11.1)**	**238.8**	**(186.3)**	**12.9**	**65.4**

United Kingdom – Business Parks

The management rights associated with UK – Business Parks were disposed on the sale of the Group's investment in ABPP. These management rights have previously been impaired to $nil.

Impairments and reversals of impairments

There were no impairment losses or reversals of impairment losses during either the current or prior financial year.

Operating assets and liabilities continued

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Impairment testing for intangible assets

The carrying values of both goodwill and indefinite life management rights are assessed for impairment annually. For the purpose of impairment testing, goodwill and indefinite life management rights are allocated to the Goodman divisions that represent the lowest level within Goodman at which the goodwill and indefinite life management rights are monitored for internal management purposes. Where goodwill and management rights arise in the same division, impairment testing has been performed on the combined intangible asset.

The impairment tests for all intangible assets are based on each division's value in use. Value in use is determined by discounting the future cash flows generated from continuing operations. These cash flows are based on both investment and development forecasts and then estimating a year five terminal value using a terminal growth rate and the division's discount rate.

The estimation of future cash flows requires assumptions to be made regarding uncertain future events. The cash flows associated with management rights require management to make assumptions regarding the period over which the future fee income streams continue to be received, the likelihood of renewal at minimal cost of contractual agreements to manage partnerships, and the future financial performance of the managed partnerships which generate those future fee income streams. The cash flows associated with goodwill are often similar to management rights but may also include cash flows from other development activities undertaken by the businesses acquired.

One of the key assumptions in relation to the impairment testing for each intangible asset balance is that Goodman's management contracts are assessed to have an indefinite life given that these contracts have been typically renewed at minimal cost and on broadly similar financial terms.

A summary of the other key assumptions for those divisions where the carrying amount of goodwill or indefinite life management rights was significant in comparison with Goodman's total carrying amount of intangible assets is set out below.

All amounts were calculated in local currency and translated to Australian dollars at the closing exchange rate at the end of the financial period. Averages related to average amounts over the five year forecast period.

		Continental Europe – Logistics	United Kingdom – Logistics
Value in use (A$M)[1]	2018	1,201.8	261.2
	2017	949.3	269.2
Pre-tax discount rate (per annum)	2018	11.5%	9.1%
	2017	11.5%	9.4%
Average annual development (million square metres)	2018	0.71	0.15
	2017	0.70	0.25
Average annual growth in assets under management (AUM)[2]	2018	8.7%	27.3%
	2017	7.8%	46.1%
Average annual increase in operating expenses	2018	3.0%	2.2%
	2017	3.0%	0.8%

1. When assessing a potential impairment, the value in use was compared against the sum of the intangible asset balance and the plant and equipment balance for each division. The value in use balance was translated at the foreign currency exchange rate as at the end of the financial year.
2. AUM growth rate in United Kingdom – Logistics reflects the anticipated growth in GUKP, which is supported by equity commitments to GUKP from Goodman and its investment partners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Impairment testing for intangible assets continued

The key driver of value in respect of these intangible assets is the forecast level of and profitability of development activity and management income from managed partnerships, which is primarily related to the size of the managed partnerships.

Discount rates

The post-tax discount rates were determined using the capital asset pricing model, with individual assumptions referenced to market data, where available, and adjusting for specific factors associated with each division. A risk premium was included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division. The value in use was determined using the after-tax cash flows and the post-tax discount rates, with the discount rates then converted to the equivalent pre-tax rates.

Development activity and margins

Demand for modern, well-located industrial product in both Continental Europe and the United Kingdom continues to be driven by customers' desire to adopt more efficient distribution methods and the growth of e-commerce. Earnings forecasts for each division include projects which have not yet been contracted. The majority of developed product is expected to be owned by Goodman's managed partnerships although sales to third parties have also been assumed. Margins from development activity are expected to be consistent with those achieved historically.

Continental Europe – Logistics

The forecasts assume the development starts (by area) over the five year period are 0.71 million square metres each year, consistent with historical performance. The estimated total cash outflow (from Goodman and its managed partnerships) required to finance the assumed development pipeline across the forecast period is A$0.76 billion per annum.

United Kingdom – Logistics

Investor demand is expected to remain strong for well-let assets with supply especially limited in core locations. The division's development activity over the next five years is forecast to be maintained at the existing levels of 0.17 million square metres per annum (on average). The estimated cash outflow (from Goodman and its managed partnerships) required to finance the assumed development pipeline across the forecast period is on average A$0.32 billion per annum.

Sources of funding for development activity

Capital inflows required to fund acquisitions and development activity in each division are assumed to arise from the following sources: equity investment directly into managed partnerships (including distribution reinvestment plans) by Goodman and its investment partners; lending facilities (general term facilities or construction financing facilities) advanced to managed partnerships; debt capital markets; customer-funded turnkey developments; and proceeds from rotation of assets. It is not practicable to determine the percentage of the total which will flow from each source.

Funds available to Goodman and its investment partners are assumed to be sourced from available global markets and are not limited to lending markets in the regions to which the relevant intangible asset relates.

The cash flow forecasts have not assumed a downturn in earnings that might arise in the event of severe adverse market conditions.

AUM

For Continental Europe – Logistics, the average annual increase in AUM of 8.7% (2017: 7.8%) over the forecast period is broadly consistent with the prior year forecasts and is a result of the ongoing development activity, albeit this is partly offset by the selective rotation of assets. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

For United Kingdom – Logistics, the forecasts assume that over the next five years, the division will increase its AUM from £181 million to approximately £606 million, as GUKP draws down committed equity from its investors to fund the expected development activity. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

Operating expenses

Operating expenses in Continental Europe – Logistics and United Kingdom – Logistics are forecast to increase over the forecast period by an average of 3.0% per annum and 2.2% per annum respectively as the divisions increase AUM.

Assumptions impacting the terminal year

		Continental Europe – Logistics	United Kingdom – Logistics
Growth rate applied to future cash flows (per annum)	2018	1.0%	1.5%
	2017	1.0%	1.3%
Development in terminal year (million square metres)	2018	0.70	0.17
	2017	0.70	0.22
Development in terminal year (cost in A$B)	2018	0.76	0.32
	2017	0.68	0.28

Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast. For both Continental Europe – Logistics and United Kingdom – Logistics, the growth rate was based on the average consumer price indices over the past five years. For Continental Europe – Logistics, a weighted average was estimated based on the value of AUM for each of the countries in which Goodman operated.

The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed partnerships. The cost of developments in Australian dollars has remained relatively stable.

CAPITAL MANAGEMENT

The notes in this section focus on Goodman and GIT's financing activities, capital structure and management of the financial risks involved.

11. NET FINANCE EXPENSE

Interest income and expense are recognised using the effective interest rate method.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Finance income				
Interest income from:				
– Related parties	0.8	0.8	93.1	146.4
– Other parties	34.5	22.4	31.1	18.5
Foreign exchange gain[1]	–	24.7	50.2	1.4
	35.3	**47.9**	**174.4**	**166.3**
Finance expense				
Interest expense from third party loans, overdrafts and derivatives	(87.7)	(111.6)	(68.8)	(89.0)
Interest expense from related party loans	–	–	(12.6)	–
Debt restructure/modification expense[2]	(82.8)	(205.3)	(82.8)	(205.3)
Other borrowing costs	(9.7)	(11.5)	(7.8)	(9.4)
Fair value adjustments on derivative financial instruments	(131.4)	(45.6)	(120.8)	(45.6)
Foreign exchange loss[1]	(8.5)	–	–	–
Capitalised borrowing costs[3]	17.5	46.7	–	1.1
	(302.6)	**(327.3)**	**(292.8)**	**(348.2)**
Net finance expense	**(267.3)**	**(279.4)**	**(118.4)**	**(181.9)**

1. The foreign exchange gain/(loss) in Goodman and GIT included a loss of $8.7 million (2017: gain of $25.5 million) relating to unrealised (losses)/gains on translation of liabilities which do not qualify for net investment hedging.
2. Following the modification of certain tranches of the USD denominated notes in June 2017, Goodman completed additional liability management initiatives during the 2018 year. These included repurchasing certain of the USD denominated notes and GBP denominated notes and issuing new USD denominated notes maturing in 10.5 years and 20 years and EUR denominated notes maturing in 8 years. The debt restructure expense as a result of these activities related to transaction costs, tender premiums associated with the USD denominated notes maturing in 2021 and 2022 and the GBP denominated notes maturing in 2018, and also 'make-whole' costs associated with the USD denominated notes maturing in 2020.
3. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 0.9% and 5.9% per annum (2017: 2.1% and 6.7% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

12. INTEREST BEARING LIABILITIES

Interest bearing liabilities comprise bank loans, notes issued in the capital markets and private placements. Interest bearing liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method.

		Goodman		GIT	
	Note	2018 $M	2017 $M	2018 $M	2017 $M
Current					
Secured:					
– Bank loans	12(a)	7.1	15.4	–	–
– Foreign securitised notes	12(b)	–	13.9	–	–
Borrowing costs		(0.1)	(0.5)	–	–
Unsecured:					
– GBP denominated notes	12(d)	215.9	–	215.9	–
		222.9	**28.8**	**215.9**	**–**
Non–current					
Secured:					
– Bank loans	12(a)	21.2	43.9	–	–
– Foreign securitised notes	12(b)	–	120.7	–	–
Unsecured:					
– Bank loans	12(c)	91.6	238.6	–	122.7
– GBP denominated notes	12(d)	–	423.6	–	423.6
– USD denominated notes	12(e)	1,823.5	1,892.3	1,823.5	1,892.3
– EUR denominated notes	12(f)	789.6	–	789.6	–
– Foreign private placements	12(g)	152.6	144.9	152.6	144.9
Borrowing costs		(19.9)	(14.5)	(16.7)	(7.2)
		2,858.6	**2,849.5**	**2,749.0**	**2,576.3**

(a) Bank loans, secured

Secured bank loans at 30 June 2018 are summarised as follows:

Facility maturity date	Facility limit $M	Amounts drawn $M
26 Sep 2023	28.3	28.3
2018	**28.3**	**28.3**
2017	59.3	59.3

The secured bank loans relate to facilities funding the operations in Brazil. Repayments are made monthly and include capital and interest, with interest referenced to the benchmark rate "Taxa Referencial" determined by the Central Bank of Brazil.

Subsequent to the end of the financial year, the loan of A$28.3 million has been repaid in full.

(b) Foreign securitised notes

As at 30 June 2018, Goodman had no notes on issue as the controlled entity that issued the notes was sold to the Goodman Brazil Logistics Partnership.

Capital management continued

12. INTEREST BEARING LIABILITIES CONTINUED

(c) Bank loans, unsecured

Facility maturity date	Facility limit $M	Amounts drawn $M
31 Jul 2019	89.2	–
31 Jan 2021	50.0	–
31 Jul 2021	135.2	–
31 Mar 2022	75.0	–
30 Sep 2022	50.7	–
30 Sep 2022	37.5	–
30 Sep 2022	97.7	32.0
30 Sep 2022	183.1	59.6
30 Sep 2022	183.1	–
31 Dec 2022	75.0	–
31 Dec 2022	50.0	–
31 Dec 2022	118.4	–
2018	**1,144.9**	**91.6**
2017	1,349.3	238.6

The majority of the unsecured bank loans are multi-currency facilities. At 30 June 2018, the amounts drawn by Goodman were A$91.6 million (2017: A$238.6 million).

(d) GBP denominated notes

As at 30 June 2018, Goodman and GIT had A$215.9 million (30 June 2017: A$423.6 million) of GBP denominated notes issued under Goodman's Euro medium-term note programme. The notes have a fixed coupon of 9.75% payable annually. During the financial year, Goodman and GIT repurchased A$230.3 million of the notes.

Subsequent to the end of the financial year, the remainder of the notes have been repaid upon maturity. The notes were listed on the Singapore Stock Exchange and the market value of the notes using the quoted price at 30 June 2018 was A$216.5 million (30 June 2017: A$461.1 million).

(e) USD denominated notes

As at 30 June 2018, Goodman and GIT had notes on issue in the United States 144A/Reg S bond market as follows:

	Carrying amount		Face value		Coupon (fixed)
Notes maturity date	A$M	US$M	A$M	US$M	per annum
15 Apr 2021	257.2	190.2	236.1	174.5	6.375%
22 Mar 2022	416.8	308.2	377.7	279.3	6.000%
15 Mar 2028	710.0	525.0	710.0	525.0	3.700%
15 Oct 2037	439.5	325.0	439.5	325.0	4.500%
2018	**1,823.5**	**1,348.4**	**1,763.3**	**1,303.8**	
2017	1,892.3	1,453.0	1,725.4	1,324.8	

During the financial year, Goodman and GIT repurchased certain of the 2021 and 2022 notes, following a successful tender process, and repurchased in full the 2020 notes in accordance with the 'make-whole' provisions contained within their terms of issue. Goodman and GIT also issued new notes, US$525.0 million maturing in 2028 and US$325.0 million maturing in 2037.

(f) EUR denominated notes

During the financial year, Goodman and GIT issued A$789.6 million (€500.0 million) new Reg S EUR denominated senior notes maturing 27 September 2025. The notes have a fixed coupon of 1.375% per annum.

(g) Foreign private placements

As at 30 June 2018, Goodman and GIT had A$152.6 million (2017: A$144.9 million) (¥12.5 billion) foreign private placements denominated in Japanese yen. The facility has a fixed coupon of 3.32% payable semi-annually and expires on 3 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

Capital management continued

12. INTEREST BEARING LIABILITIES CONTINUED

(h) Finance facilities

	Goodman Facilities available $M	Goodman Facilities utilised $M	GIT Facilities available $M	GIT Facilities utilised $M
At 30 June 2018				
Secured:				
– Bank loans	28.3	28.3	–	–
Unsecured:				
– Bank loans	1,144.9	91.6	681.1	–
– GBP denominated notes	215.9	215.9	215.9	215.9
– USD denominated notes[1]	1,763.3	1,763.3	1,763.3	1,763.3
– EUR denominated notes	789.6	789.6	789.6	789.6
– Foreign private placements	152.6	152.6	152.6	152.6
– Bank guarantees[2]	–	30.4	–	30.4
	4,094.6	**3,071.7**	**3,602.5**	**2,951.8**
At 30 June 2017				
Secured:				
– Bank loans	59.3	59.3	–	–
– Foreign securitised notes	134.6	134.6	–	–
Unsecured:				
– Bank loans	1,349.3	238.6	908.8	122.7
– GBP denominated notes	423.6	423.6	423.6	423.6
– USD denominated notes[1]	1,725.4	1,725.4	1,725.4	1,725.4
– Foreign private placements	144.9	144.9	144.9	144.9
– Bank guarantees[2]	–	42.0	–	42.0
	3,837.1	**2,768.4**	**3,202.7**	**2,458.6**

1. Facilities available and facilities utilised in respect of the United States senior notes represent the face value of the notes on issue.
2. Bank guarantees are drawn from facilities available under unsecured bank loans.

13. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and liabilities are recognised initially on the trade date at which Goodman and GIT become a party to the contractual provisions of the instrument.

Derivative financial instruments and hedging

Goodman and GIT use derivative financial instruments to hedge their economic exposure to foreign exchange and interest rate risks arising from operating, investing and financing activities. In accordance with their treasury policy, Goodman and GIT do not hold or issue derivative financial instruments for speculative trading purposes.

Goodman and GIT's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly movements in the fair value of derivative financial instruments are recognised in the income statement.

Cash flow hedges

Certain of Goodman and GIT's associates and JVs continue to designate derivative financial instruments as cash flow hedges for accounting purposes. Goodman and GIT's share of the effective portion of changes in the fair value of derivative financial instruments in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Current				
Derivative financial instruments	1.6	27.3	1.6	27.2
	1.6	**27.3**	**1.6**	**27.2**
Non-current				
Derivative financial instruments[1]	187.1	214.7	198.0	214.7
Investments in unlisted securities, at fair value	0.7	0.6	22.6	23.9
	187.8	**215.3**	**220.6**	**238.6**

1. Includes fair values of derivative financial instruments equating to $154.3 million (2017: $169.8 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Capital management continued

13. OTHER FINANCIAL ASSETS AND LIABILITIES CONTINUED

Other financial liabilities

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Current				
Derivative financial instruments	54.5	158.4	54.5	158.4
	54.5	**158.4**	**54.5**	**158.4**
Non-current				
Derivative financial instruments[1]	94.4	76.3	94.4	76.3
	94.4	**76.3**	**94.4**	**76.3**

1. Includes fair values of derivative financial instruments equating to $31.9 million (2017: $nil) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

14. FINANCIAL RISK MANAGEMENT

The Directors have ultimate responsibility for Goodman's financial risk management (FRM) processes and have established policies, documented in the FRM policy document, to manage Goodman's exposure to financial risks and to utilise capital in an efficient manner.

The Group Investment Committee is Goodman's primary forum where recommendations regarding capital allocation and financial risk management (in accordance in the FRM policy) are discussed and approved. The Group Investment Committee meets every week during the financial year.

Goodman's treasury function is responsible for preparing the following reports for consideration at each of Goodman's board meetings:

+ analysis of capital allocation and funding requirements against Goodman's gearing constraint;
+ analysis of Goodman's liquidity and funding position;
+ analysis of Goodman's debt maturity profile;
+ a review of all the hedge exposures and the completed hedges;
+ compliance with Goodman's hedging policy and recommendations for future hedging strategies; and
+ full mark to market of all derivative positions.

Under the FRM policy, Goodman's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are marked to market, with the movement in value recognised in profit or loss.

Capital management

Goodman's principal capital management objectives are to maintain a strong capital base and provide funds for operating activities (including development expenditure), capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt and equity.

Goodman is able to alter the capital mix by issuing new Goodman securities or hybrid securities, through the operation of a distribution reinvestment plan, adjusting the timing of development and capital expenditure and selling assets to reduce borrowings. Goodman also manages capital through its distribution policy in which distributions made to Securityholders are based on the greater of 60% of Goodman's operating profit or taxable income of the Trust.

Goodman monitors capital on the basis of both the gearing ratio and the weighted average cost of debt. The gearing ratio for Goodman is calculated as the total interest bearing liabilities less cash as a percentage of the total assets excluding cash.

Goodman's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

Goodman is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, China, Japan, Continental Europe, the United Kingdom, North America and Brazil. Foreign exchange risk represents the loss that would be recognised from adverse fluctuations in currency prices against the Australian dollar as a result of Goodman's net investment in foreign operations, future commercial transactions, and other foreign currency denominated assets and liabilities.

In managing foreign exchange risks, Goodman aims to reduce the impact of short-term fluctuations on Goodman's earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

Goodman's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same currency as the overseas investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and foreign exchange contracts (FEC).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2018, the principal that was hedged and the weighted average exchange rates, by currency, are set out below:

Goodman and GIT

	2018			2017		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	NZD'M	A$M	AUD/NZD	NZD'M	A$M	AUD/NZD
AUD receivable/NZD payable	(300.0)	274.2	1.0943	(100.0)	65.4	1.1674
	HKD'M	A$M	AUD/HKD	HKD'M	A$M	AUD/HKD
AUD receivable/HKD payable	(3,390.0)	571.0	5.9927	(3,390.0)	529.4	6.5396
	EUR'M	A$M	AUD/EUR	EUR'M	A$M	AUD/EUR
AUD receivable/EUR payable	(420.0)	615.3	0.6851	(705.0)	965.7	0.7341
	GBP'M	A$M	AUD/GBP	GBP'M	A$M	AUD/GBP
AUD receivable/GBP payable	(80.0)	136.3	0.5869	(65.0)	84.9	0.5898
	CNY'M	US$'M	USD/CNY	CNY'M	US$'M	USD/CNY
USD receivable/CNY payable	(1,590.5)	217.6	7.3091	(1,614.6)	225.0	7.1759

At 30 June 2018, Goodman's notes issued in the United States 144A/Reg S bond market created a foreign currency risk exposure. Goodman's policy is to minimise its exposure to foreign currency and exchange rate movements, and accordingly Goodman has entered into both USD/EUR and USD/GBP derivatives, to provide a capital hedge against assets denominated in EUR and GBP. Details of these derivatives are set out below:

	2018			2017		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	EUR'M	USD'M	USD/EUR	EUR'M	USD'M	USD/EUR
USD receivable/EUR payable	(76.5)	95.0	0.8048	(123.1)	205.0	0.6012
	GBP'M	USD'M	USD/GBP	GBP'M	USD'M	USD/GBP
USD receivable/GBP payable	(112.5)	160.0	0.7033	29.5	–	–

During the financial year, GIT entered into a FEC with a controlled entity of GL to hedge that entity's USD exposure. On maturity of the contract, GIT will receive USD 240.0 million and pay GBP 156.2 million.

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% stronger against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A$40.4 million (2017: A$18.2 million decrease) for Goodman and A$19.8 million (2017: A$8.6 million decrease) for GIT. If the Australian dollar had been 5% weaker against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A$40.4 million (2017: A$18.2 million increase) for Goodman and A$19.8 million (2017: A$8.6 million increase) for GIT.

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Interest rate risk

Goodman's interest rate risk arises from variable rate borrowings and also fixed rate to floating rate CCIRS that hedge the currency risk associated with the USD denominated notes. Goodman adopts a policy of ensuring that between 60% and 100% of its current year exposure to changes in interest rates on borrowings is on a fixed rate basis. Goodman enters into interest rate swaps (IRS) to manage cash flow risks associated with the interest rates on borrowings that are floating. The IRS contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest.

As at 30 June 2018, Goodman and GIT's interest rate risk exposure based on existing interest bearing liabilities and derivative financial instruments is set out below:

Goodman

	Interest bearing liabilities A$M	Impact of derivatives CCIRS[1] A$M	IRS A$M	Net interest rate exposure A$M
As at 30 June 2018				
Fixed rate liabilities	2,981.6	(344.9)	222.3	2,859.0
Floating rate liabilities	119.9	346.2	(222.3)	243.8
	3,101.5	**1.3**	**–**	**3,102.8**
As at 30 June 2017				
Fixed rate liabilities	2,460.8	(755.4)	848.0	2,553.4
Floating rate liabilities	432.5	774.4	(848.0)	358.9
	2,893.3	**19.0**	**–**	**2,912.3**

1. The impact of the CCIRS amends the total borrowings exposure as a result of the difference in the foreign currency exchange rate between the contracted rate and the year end spot rate.

GIT

	Interest bearing liabilities A$M	Impact of derivatives CCIRS[1] A$M	IRS A$M	Net interest rate exposure A$M
As at 30 June 2018				
Fixed rate liabilities	2,981.6	(344.9)	222.3	2,859.0
Floating rate liabilities	–	346.2	(222.3)	123.9
	2,981.6	**1.3**	**–**	**2,982.9**
As at 30 June 2017				
Fixed rate liabilities	2,460.8	(755.4)	848.0	2,553.4
Floating rate liabilities	122.7	774.4	(848.0)	49.1
	2,583.5	**19.0**	**–**	**2,602.5**

1. The impact of the CCIRS amends the total borrowings exposure as a result of the difference in the foreign currency exchange rate between the contracted rate and the year end spot rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Interest rate risk continued

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that exist at the end of the financial year, Goodman and GIT would have the following fixed interest rate exposure at the end of each of the next five financial years. This assumes all interest bearing liabilities and derivative financial instruments mature in accordance with current contractual terms.

	2018		2017	
Number of years post balance date	Fixed interest rate exposure A$M	Weighted average interest rate % per annum	Fixed interest rate exposure A$M	Weighted average interest rate % per annum
1 year	2,380.6	3.04	2,392.9	4.59
2 years	2,173.3	3.05	2,096.9	3.61
3 years	1,931.4	3.05	1,840.9	3.67
4 years	1,690.3	2.81	1,372.3	3.43
5 years	1,762.8	2.68	710.5	2.79

Sensitivity analysis

Throughout the financial year, if interest rates on borrowings (based on the interest bearing liabilities and derivative financial instruments in place at the end of the year) had been 100 basis points higher/lower, with all other variables held constant, the profit attributable to Securityholders would have decreased/increased by A$2.4 million (2017: A$3.6 million) for Goodman and by A$1.2 million (2017: A$0.5 million) for GIT.

Price risk

Goodman and GIT are not materially exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that Goodman will not be able to meet its financial obligations as they fall due. Goodman's objective is to maintain sufficient liquidity to fund working capital, capital expenditure, investment opportunities, debt expiries and distributions. This is achieved through the monthly preparation of a three year cash flow forecast to understand the uses of funds and to identify potential shortfalls in funding. This allows Goodman to plan for renewal of debt facilities, negotiation of new debt facilities, new issues of securities, including the distribution reinvestment plan, and other potential sources of funding.

Goodman's treasury function is responsible for reporting details of all debt maturities to the Board at its regular meetings. Goodman's treasury function is also responsible for reporting to the Board all the information and term sheets relating to any financing arrangements being contemplated or negotiated by Goodman, for its review and approval.

Goodman seeks to spread its debt maturities such that the total debt repayable in a single financial year does not exceed Board approved policy levels.

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity risk continued

The contractual maturities of financial liabilities are set out below:

Goodman	Carrying amount $M	Contractual cash flows $M	Less than 1 year $M	1–2 years $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2018								
Non-derivative financial liabilities								
Payables	613.6	613.6	422.5	128.5	23.5	10.5	5.8	22.8
Bank loans, secured	28.3	28.3	7.2	–	–	–	–	21.1
Bank loans, unsecured[1]	91.6	91.6	–	–	–	–	91.6	–
GBP denominated notes, unsecured	215.9	236.8	236.8	–	–	–	–	–
USD denominated notes, unsecured	1,823.5	2,558.2	105.4	85.2	317.8	441.1	46.7	1,562.0
EUR denominated notes, unsecured	789.6	877.7	19.3	11.0	11.0	11.0	11.0	814.4
Foreign private placements, unsecured	152.6	178.3	6.4	5.2	5.1	5.1	156.5	–
Total non-derivative financial liabilities	**3,715.1**	**4,584.5**	**797.6**	**229.9**	**357.4**	**467.7**	**311.6**	**2,420.3**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(21.3)	(8.1)	3.4	3.8	(14.6)	(1.5)	0.6	0.2
Gross settled:[3]								
(Inflow)	(18.5)	(583.7)	(91.4)	(97.5)	(103.6)	(98.6)	(69.8)	(122.8)
Outflow	–	581.4	108.6	67.7	72.6	133.4	102.6	96.5
Total derivative financial (assets)/ liabilities – net	**(39.8)**	**(10.4)**	**20.6**	**(26.0)**	**(45.6)**	**33.3**	**33.4**	**(26.1)**
As at 30 June 2017								
Non-derivative financial liabilities								
Payables	557.3	557.3	358.8	94.0	41.9	23.5	10.5	28.6
Bank loans, secured	59.3	59.3	15.4	–	–	–	–	43.9
Foreign securitised notes	134.6	134.6	13.9	–	–	–	–	120.7
Bank loans, unsecured[1]	238.6	238.6	–	75.0	115.9	47.7	–	–
GBP denominated notes, unsecured	423.6	506.0	80.6	425.4	–	–	–	–
USD denominated notes, unsecured	1,892.3	2,173.0	117.4	109.0	109.3	1,157.5	679.8	–
Foreign private placements, unsecured	144.9	174.3	6.1	4.9	4.9	4.9	8.6	144.9
Total non-derivative financial liabilities	**3,450.6**	**3,843.1**	**592.2**	**708.3**	**272.0**	**1,233.6**	**698.9**	**338.1**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(17.0)	(6.0)	(5.1)	–	(2.5)	1.9	(1.0)	0.7
Gross settled:[3]								
(Inflow)	–	(506.9)	(98.4)	(90.0)	(101.2)	(155.2)	(58.2)	(3.9)
Outflow	9.7	502.0	176.5	83.1	42.3	40.3	98.1	61.7
Total derivative financial (assets)/ liabilities – net	**(7.3)**	**(10.9)**	**73.0**	**(6.9)**	**(61.4)**	**(113.0)**	**38.9**	**58.5**

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under Goodman's revolving loan facilities.
2. Net settled includes IRS and FEC.
3. Gross settled includes CCIRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity risk continued

The contractual maturities of financial liabilities are set out below:

GIT	Carrying amount $M	Contractual cash flows $M	Less than 1 year $M	1–2 years $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2018								
Non-derivative financial liabilities								
Payables	1,008.3	1,008.3	542.9	402.8	23.5	10.5	5.8	22.8
GBP denominated notes, unsecured	215.9	236.8	236.8	–	–	–	–	–
USD denominated notes, unsecured	1,823.5	2,558.2	105.4	85.2	317.8	441.1	46.7	1,562.0
EUR denominated notes, unsecured	789.6	877.7	19.3	11.0	11.0	11.0	11.0	814.4
Foreign private placements, unsecured	152.6	178.3	6.4	5.2	5.1	5.1	156.5	–
Total non-derivative financial liabilities	**3,989.9**	**4,859.3**	**910.8**	**504.2**	**357.4**	**467.7**	**220.0**	**2,399.2**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(21.3)	(8.1)	3.4	3.8	(14.6)	(1.5)	0.6	0.2
Gross settled:[3]	–	–	–	–	–	–	–	–
(Inflow)	(18.4)	(583.7)	(91.4)	(97.5)	(103.6)	(98.6)	(69.8)	(122.8)
Outflow	–	581.4	108.6	67.7	72.6	133.4	102.6	96.5
Total derivative financial (assets)/ liabilities – net	**(39.7)**	**(10.4)**	**20.6**	**(26.0)**	**(45.6)**	**33.3**	**33.4**	**(26.1)**
As at 30 June 2017								
Non-derivative financial liabilities								
Payables	256.4	256.4	93.1	58.8	41.9	23.5	10.5	28.6
Bank loans, unsecured[1]	122.7	122.7	–	75.0	–	47.7	–	–
GBP denominated notes, unsecured	423.6	506.0	80.6	425.4	–	–	–	–
USD denominated notes, unsecured	1,892.3	2,173.0	117.4	109.0	109.3	1,157.5	679.8	–
Foreign private placements, unsecured	144.9	174.3	6.1	4.9	4.9	4.9	8.6	144.9
Total non-derivative financial liabilities	**2,839.9**	**3,232.4**	**297.2**	**673.1**	**156.1**	**1,233.6**	**698.9**	**173.5**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(17.0)	(6.0)	(5.1)	–	(2.5)	1.9	(1.0)	0.7
Gross settled:[3]								
(Inflow)	–	(506.9)	(98.4)	(90.0)	(101.2)	(155.2)	(58.2)	(3.9)
Outflow	9.7	502.0	176.5	83.1	42.3	40.3	98.1	61.7
Total derivative financial (assets)/ liabilities – net	**(7.3)**	**(10.9)**	**73.0**	**(6.9)**	**(61.4)**	**(113.0)**	**38.9**	**58.5**

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under GIT's revolving loan facilities.
2. Net settled includes IRS and FEC.
3. Gross settled includes CCIRS.

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, which have been recognised on the statement of financial position, is equal to the carrying amount.

Goodman has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. Goodman evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance. Bank guarantees are accepted from financial institutions which have an investment grade credit rating from a major rating agency.

Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is only transferred upon receipt of proceeds for the sale of those assets and typically Goodman will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

In relation to material bank deposits, Goodman minimises credit risk by dealing with major financial institutions. The counterparty must have a long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

The credit risks associated with derivative financial instruments are managed by:

+ transacting with multiple derivatives counterparties that have a long-term investment grade credit rating;
+ utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below); and
+ formal review of the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting or similar agreements

Goodman enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

As Goodman does not have any current legally enforceable right to offset, the fair values associated with derivative financial instruments have been presented gross in the statement of financial position. However, if a credit event occurred, the ISDA master netting off agreement would allow A$89.2 million (2017: A$108.4 million) of financial assets and financial liabilities in relation to Goodman's and GIT's derivative financial instruments to be offset.

(d) Fair values of financial instruments

The carrying amounts shown in the statement of financial position and fair values of financial assets and liabilities are as follows:

		Goodman				GIT			
	Note	Carrying amount 2018 $M	Fair value 2018 $M	Carrying amount 2017 $M	Fair value 2017 $M	Carrying amount 2018 $M	Fair value 2018 $M	Carrying amount 2017 $M	Fair value 2017 $M
Financial assets									
Cash and cash equivalents	17(a)	2,406.8	2,406.8	2,095.1	2,095.1	2,129.7	2,129.7	1,882.5	1,882.5
Receivables	7	681.9	681.9	586.8	586.8	3,169.9	3,169.9	2,939.8	2,939.8
Other financial assets:	13								
– IRS		25.5	25.5	29.5	29.5	25.5	25.5	29.4	29.4
– CCIRS		135.8	135.8	196.3	196.3	135.8	135.8	196.3	196.3
– FEC		27.4	27.4	16.2	16.2	38.2	38.2	16.2	16.2
– Investments in unlisted securities		0.7	0.7	0.6	0.6	22.6	22.6	23.9	23.9
		3,278.1	**3,278.1**	**2,924.5**	**2,924.5**	**5,521.7**	**5,521.7**	**5,088.1**	**5,088.1**
Financial liabilities									
Payables	8	613.6	613.6	557.3	557.3	1,008.3	1,008.3	256.4	256.4
Interest bearing liabilities[1]	12	3,081.5	3,022.1	2,878.3	2,982.9	2,964.9	2,902.2	2,576.3	2,673.1
Other financial liabilities:	13								
– IRS		4.2	4.2	12.5	12.5	4.2	4.2	12.5	12.5
– CCIRS		117.6	117.6	197.7	197.7	117.6	117.6	197.6	197.6
– FEC		27.1	27.1	24.5	24.5	27.1	27.1	24.6	24.6
		3,844.0	**3,784.6**	**3,670.3**	**3,774.9**	**4,122.1**	**4,059.4**	**3,067.4**	**3,164.2**

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Fair values of financial instruments continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 1(f)):

	Goodman				GIT			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2018								
Available for sale financial assets	–	–	0.7	0.7	–	–	22.6	22.6
Derivative financial assets	–	188.7	–	188.7	–	199.6	–	199.6
	–	**188.7**	**0.7**	**189.4**	**–**	**199.6**	**22.6**	**222.2**
Derivative financial liabilities	–	148.9	–	148.9	–	148.9	–	148.9
	–	**148.9**	**–**	**148.9**	**–**	**148.9**	**–**	**148.9**
As at 30 June 2017								
Available for sale financial assets	–	–	0.6	0.6	–	–	23.9	23.9
Derivative financial assets	–	242.0	–	242.0	–	241.9	–	241.9
	–	**242.0**	**0.6**	**242.6**	**–**	**241.9**	**23.9**	**265.8**
Derivative financial liabilities	–	234.7	–	234.7	–	234.7	–	234.7
	–	**234.7**	**–**	**234.7**	**–**	**234.7**	**–**	**234.7**

There were no transfers between the levels during the year.

Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by Goodman and GIT consist of IRS, CCIRS and FEC.

The fair values of derivative financial instruments are determined using generally accepted pricing models which discount estimated future cash flows based on the terms and maturity of each contract and current market interest rates and/or foreign currency rates, adjusted for specific features of the instruments.

15. DIVIDENDS AND DISTRIBUTIONS

Dividends and distributions are recognised when they are declared and before deduction of any withholding tax. Any non-recoverable withholding tax is included in income tax.

Goodman

	Dividends/ distributions cents per security	Total amount $M	Date of payment
FY18 dividends/distributions			
GL	–	–	n/a
GIT:			
– 31 Dec 2017	13.75	247.6	26 Feb 2018
– 30 Jun 2018	9.25	166.6	29 Aug 2018
GLHK	5.00	90.0	29 Aug 2018
	28.00	**504.2**	
FY17 dividends/distributions			
GL	–	–	n/a
GIT:			
– 31 Dec 2016	12.70	227.2	24 Feb 2017
– 30 Jun 2017	13.20	236.2	28 Aug 2017
GLHK[1]	–	–	n/a
	25.90	**463.4**	

1. On 26 August 2016, GLHK declared and paid a final dividend of 1.0 cent per security amounting to $17.8 million relating to GLHK's FY16 performance.

GIT

In FY18, GIT's distributions were 23.0 cents per security (2017: 25.9 cents per security) amounting to $414.2 million (2017: $463.4 million).

Movement in provision for distributions to Securityholders

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Balance at the beginning of the year	236.2	197.4	236.2	197.4
Provisions for dividends/distributions	504.2	463.4	414.2	463.4
Dividends/distributions paid	(483.8)	(424.6)	(483.8)	(424.6)
Balance at the end of the year	**256.6**	**236.2**	**166.6**	**236.2**

Capital management continued

16. ISSUED CAPITAL

(a) Ordinary securities

Ordinary securities are classified as equity. Incremental costs directly attributable to issues of ordinary securities are recognised as a deduction from equity, net of any tax effects.

			Goodman		GIT	
	2018	2017 Number of securities	2018 $M	2017 $M	2018 $M	2017
Stapled securities						
– issued and fully paid	1,800,763,877	1,789,121,143	8,192.2	8,192.2	7,529.8	7,459.0
Less: Accumulated issue costs			(160.5)	(160.5)	(148.5)	(148.5)
Total issued capital			**8,031.7**	**8,031.7**	**7,381.3**	**7,310.5**

Terms and conditions

Stapled security means one share in the Company stapled to one unit in the Trust and one CDI over a share in GLHK. Holders of stapled securities are entitled to receive dividends or distributions as declared from time to time and are entitled to one vote per security at Securityholders' meetings. In the event of a winding up, Securityholders rank after creditors and are fully entitled to any proceeds of liquidation.

Movement in ordinary securities

Date	Details	Number of securities	Issue price $	Goodman $M	GIT $M
30 Jun 2016	Balance before accumulated issue costs	1,778,318,630		8,192.2	7,398.2
31 Aug 2016	Securities issued to employees under the LTIP	10,802,513	–	–	60.8
30 Jun 2017	Balance before accumulated issue costs	1,789,121,143		8,192.2	7,459.0
31 Aug 2017	Securities issued to employees under the LTIP	11,642,734	–	–	70.8
	Less: Accumulated issue costs			(160.5)	(148.5)
30 June 2018		**1,800,763,877**		**8,031.7**	**7,381.3**

Share based payments transactions

The fair value of performance rights over securities at the grant date is expensed with a corresponding increase in the employee compensation reserve. The share based payments expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to retained earnings/(accumulated losses). The fair values of performance rights are measured at grant date using a combination of Black Scholes pricing models and Monte Carlo simulations.

LTIP

Performance rights issued under the LTIP entitle an employee to either acquire Goodman securities for $nil consideration or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities, subject to the vesting conditions having been satisfied. Further details regarding the vesting conditions are included in the remuneration report section of the Directors' report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

Capital management continued

16. ISSUED CAPITAL CONTINUED

(a) Ordinary securities continued

During the year, the movement in the number of equity settled and cash settled performance rights under the LTIP was as follows:

	Number of rights 2018	Number of rights 2017
Outstanding at the beginning of the year	71,270,400	62,508,840
Granted	20,180,899	23,859,250
Exercised	(12,835,205)	(11,526,728)
Forfeited	(3,181,471)	(3,570,962)
Outstanding at the end of the year	**75,434,623**	**71,270,400**
Exercisable at the end of the year	**–**	**–**

The model inputs for performance rights awarded during the current financial year included the following:

	Rights issued on 16 Nov 2017	Rights issued on 30 Sep 2017
Fair value at measurement date ($)	6.70	6.41
Security price ($)	8.65	8.24
Exercise price ($)	–	–
Expected volatility (%)	14.88	19.49
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	3.93	3.85
Average risk free rate of interest per annum (%)	2.22	2.43

The fair value of services received in return for performance rights granted under the LTIP is measured by reference to the fair value of the performance rights granted. The fair value of the performance rights granted during the year was measured as follows:

+ operating EPS tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend/distribution yield; and
+ RTSR tranche: these rights were valued using a Monte Carlo model which simulated total returns for each of the ASX100 stocks and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance.

At 30 June 2018, a liability of $45.1 million (2017: $25.1 million) was recognised in relation to cash settled performance rights.

Goodman's New Zealand Long Term Incentive Plan

Under Goodman's New Zealand Long Term Incentive Plan, employees receive approximately half of their LTI in the form of performance rights over GMT units that vest subject to meeting performance hurdles based on the achievement of distributable earnings targets by GMT and the relative total unitholder return from holding GMT units compared to other NZX property vehicles. On vesting, delivery of units in GMT is made from units held by Goodman or acquired on market.

OTHER ITEMS

The notes in this section sets out other information that is required to be disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

17. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of cash

For the purpose of the cash flow statements, cash and cash equivalents includes cash on hand at the bank and short-term deposits at call. Cash at the end of the year as shown in the cash flow statements is reconciled to the related items in the statements of financial position as follows:

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Bank balances	895.6	795.1	618.5	582.5
Call deposits	1,511.2	1,300.0	1,511.2	1,300.0
	2,406.8	**2,095.1**	**2,129.7**	**1,882.5**

(b) Reconciliation of profit for the year to net cash provided by operating activities

	Goodman		GIT	
	2018 $M	2017 $M	2018 $M	2017 $M
Profit for the year	**1,102.8**	**796.8**	**715.9**	**616.5**
Items classified as investing activities				
Net gain on disposal of investment properties	(67.4)	(128.8)	(10.3)	(173.9)
Net gain on disposal of controlled entiites	–	(0.4)	(0.2)	(0.1)
Net (gain)/loss on disposal of equity investments	(40.7)	0.1	(39.3)	(0.9)
Non-cash items				
Amortisation and depreciation	6.2	8.5	–	–
Share based payments expense	125.6	85.4	–	–
Net gain from fair value adjustments on investment properties	(71.1)	(180.9)	(56.0)	(159.3)
Impairment losses	–	93.0	–	–
Share of net results of equity accounted investments	(910.9)	(587.7)	(733.7)	(431.3)
Net finance expense	267.3	279.4	118.4	181.9
Income tax expense/(benefit)	82.4	54.4	28.8	(5.9)
	494.2	**419.8**	**23.6**	**27.0**
Changes in assets and liabilities during the year:				
– Decrease/(increase) in receivables	160.2	(139.4)	(4.5)	0.1
– Decrease/(increase) in inventories	176.2	14.8	22.5	(2.6)
– Increase in other assets	(17.1)	(4.1)	(0.8)	3.7
– Increase/(decrease) in payables	31.2	13.4	6.0	(0.7)
– (Decrease)/increase in provisions	(12.0)	8.6	–	–
	832.7	313.1	46.8	27.5
Distributions/dividends received from equity accounted investments	465.3	440.4	340.2	273.3
Net finance costs paid, excluding cash outflow on debt restructure/modification	(77.2)	(120.8)	(79.8)	(112.4)
Net income taxes (paid)/received	(59.6)	(46.3)	0.1	(0.5)
Net cash provided by operating activities	**1,161.2**	**586.4**	**307.3**	**187.9**

(c) Non-cash transactions

During the current and prior financial years, there were no significant non-cash transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

17. NOTES TO THE CASH FLOW STATEMENTS

(d) Reconciliation of liabilities arising from financing activities

Goodman	Interest bearing liabilities $M	Derivatives used for hedging $M	Provision for distributions $M	Total $M
Balance at 1 July 2017	**2,878.3**	**(7.3)**	**236.2**	**3,107.2**
Changes from financing cash flows				
Proceeds from borrowings	1,867.1	–	–	**1,867.1**
Payments on borrowings and derivative financial instruments	(1,508.6)	(170.0)	–	**(1,678.6)**
Cash outflow on debt restructure/modification	(162.2)	–	–	**(162.2)**
Distributions paid	–	–	(488.4)	**(488.4)**
Total changes from financing cash flows	**196.3**	**(170.0)**	**(488.4)**	**(462.1)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	(142.0)	–	–	**(142.0)**
Effect of changes in foreign exchange rates	79.7	5.8	–	**85.5**
Changes in fair value	(19.5)	131.7	–	**112.2**
Other changes				
Other borrowing costs	5.8	–	–	**5.8**
Debt restructure expense	82.9	–	–	**82.9**
Distributions declared	–	–	508.8	**508.8**
Total other changes	**88.7**	**–**	**508.8**	**597.5**
Balance at 30 June 2018	**3,081.5**	**(39.8)**	**256.6**	**3,298.3**

GIT	Interest bearing liabilities $M	Derivatives used for hedging $M	Provision for distributions $M	Loans with related parties, net $M	Total $M
Balance at 1 July 2017	**2,576.3**	**(7.2)**	**236.2**	**(2,902.5)**	**(97.2)**
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	956.5	956.5
Proceeds from borrowings	1,867.1	–	–	–	1,867.1
Payments on borrowings and derivative financial instruments	(1,445.5)	(170.0)	–	–	(1,615.5)
Cash outflow on debt restructure/modification	(162.2)	–	–	–	(162.2)
Distributions paid	–	–	(488.4)	–	(488.4)
Total changes from financing cash flows	**259.4**	**(170.0)**	**(488.4)**	**956.5**	**557.5**
Effect of changes in foreign exchange rates	59.7	5.9	–	(68.5)	(2.9)
Changes in fair value	(19.5)	120.6	–	–	101.1
Other changes					
Issue of units	–	–	–	(70.8)	(70.8)
Equity settled share based payments	–	–	–	(25.8)	(25.8)
Interest income	–	–	–	(93.1)	(93.1)
Interest expense	–	–	–	12.6	12.6
Interest paid	–	–	–	(19.1)	(19.1)
Other borrowing costs	6.2	–	–	–	6.2
Debt restructure expense	82.8	–	–	–	82.8
Distributions declared	–	–	418.8	–	418.8
Total other changes	**89.0**	**–**	**418.8**	**(196.2)**	**311.6**
Balance at 30 June 2018	**2,964.9**	**(50.7)**	**166.6**	**(2,210.7)**	**870.1**

Other items continued

18. EQUITY ATTRIBUTABLE TO GOODMAN LIMITED AND NON-CONTROLLING INTERESTS

Under Australian Accounting Standards, stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent. The equity attributable to other entities stapled to the parent are presented as non-controlling interests in the statement of financial position of the Group. The tables below in notes 18(a), 18(b) and 18(c) provide an analysis of equity, profit for the year and total comprehensive income for the year attributable to each of Goodman Limited, the other entities stapled to Goodman Limited (non-controlling interests) and other non-controlling interests respectively.

(a) Equity attributable to Goodman Limited

	Attributable to Goodman Limited							
Goodman	Issued capital $M	Asset revaluation reserve $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Defined benefit funds actuarial losses reserve $M	Total reserves $M	(Accumulated losses)/retained earnings $M	Total $M
Balance at 1 July 2016	**483.2**	**(21.6)**	**17.3**	**10.5**	**(30.3)**	**(24.1)**	**(11.7)**	**447.4**
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	–	–	(58.2)	(58.2)
Other comprehensive (loss)/income								
Effect of foreign currency translation	–	–	(45.2)	–	1.4	(43.8)	–	(43.8)
Actuarial losses on defined benefit superannuation funds	–	–	–	–	(2.5)	(2.5)	–	(2.5)
Total comprehensive loss for the year, net of income tax	**–**	**–**	**(45.2)**	**–**	**(1.1)**	**(46.3)**	**(58.2)**	**(104.5)**
Transfers	–	21.6	–	(33.4)	–	(11.8)	11.8	–
Contributions by and distributions to owners								
Equity settled share based payments expense	–	–	–	35.1	–	35.1	–	35.1
Acquisition of non-controlling interest	–	–	–	–	–	–	(11.9)	(11.9)
Balance at 30 June 2017	**483.2**	**–**	**(27.9)**	**12.2**	**(31.4)**	**(47.1)**	**(70.0)**	**366.1**
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	182.5	182.5
Other comprehensive income/(loss)								
Effect of foreign currency translation	–	–	(22.9)	–	(1.6)	(24.5)	–	(24.5)
Actuarial losses on defined benefit superannuation funds	–	–	–	–	6.9	6.9	–	6.9
Total comprehensive income for the year, net of income tax	**–**	**–**	**(22.9)**	**–**	**5.3**	**(17.6)**	**182.5**	**164.9**
Transfers	–	–	–	(42.8)	–	(42.8)	42.8	–
Contributions by and distributions to owners								
Equity settled share based payments expense	–	–	–	51.5	–	51.5	–	51.5
Balance at 30 June 2018	**483.2**	**–**	**(50.8)**	**20.9**	**(26.1)**	**(56.0)**	**155.3**	**582.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

18. EQUITY ATTRIBUTABLE TO GOODMAN LIMITED AND NON-CONTROLLING INTERESTS CONTINUED

(b) Equity attributable to other entities stapled to Goodman Limited (non-controlling interests)

	Attributable to other entities stapled to Goodman Limited (non-controlling interests)								
	Issued capital $M	Asset revaluation reserve $M	Cash flow hedge reserve $M	Foreign currency translation reserve $M	Employee compensation reserve $M	Total reserves $M	Retained earnings $M	Total $M	Other non-controlling interests $M
Balance at 1 July 2016	**7,548.5**	**16.3**	**(5.9)**	**(45.5)**	**92.0**	**56.9**	**14.7**	**7,620.1**	**325.8**
Total comprehensive (loss)/income for the year									
Profit for the year	–	–	–	–	–	–	836.3	836.3	18.7
Other comprehensive (loss)/income									
Effect of foreign currency translation	–	(0.1)	0.1	(76.0)	–	(76.0)	–	(76.0)	–
Other changes	–	(0.7)	4.4	–	–	3.7	–	3.7	–
Total comprehensive (loss)/ income for the year, net of income tax	**–**	**(0.8)**	**4.5**	**(76.0)**	**–**	**(72.3)**	**836.3**	**764.0**	**18.7**
Transfers	–	(21.6)	–	–	–	(21.6)	21.6	–	–
Contributions by and distributions to owners									
Distributions on stapled securities	–	–	–	–	–	–	(481.2)	(481.2)	–
Distributions on Goodman PLUS	–	–	–	–	–	–	–	–	(18.7)
Equity settled share based payments expense	–	–	–	–	27.4	27.4	–	27.4	–
Balance at 30 June 2017	**7,548.5**	**(6.1)**	**(1.4)**	**(121.5)**	**119.4**	**(9.6)**	**391.4**	**7,930.3**	**325.8**
Total comprehensive (loss)/income for the year									
Profit for the year	–	–	–	–	–	–	915.7	915.7	4.6
Other comprehensive (loss)/income									
Effect of foreign currency translation	–	(0.4)	(0.1)	217.6	–	217.1	–	217.1	–
Other changes	–	(0.4)	3.0	–	–	2.6	–	2.6	–
Total comprehensive (loss)/income for the year, net of income tax	**–**	**(0.8)**	**2.9**	**217.6**	**–**	**219.7**	**915.7**	**1,135.4**	**4.6**
Transfers	–	–	–	–	–	–	(1.2)	(1.2)	1.2
Contributions by and distributions to owners									
Dividends/distributions on stapled securities	–	–	–	–	–	–	(504.2)	(504.2)	–
Distributions on Goodman PLUS	–	–	–	–	–	–	–	–	(4.6)
Equity settled share based payments expense	–	–	–	–	30.9	30.9	–	30.9	–
Repurchase of Goodman PLUS	–	–	–	–	–	–	–	–	(327.0)
Balance at 30 June 2018	**7,548.5**	**(6.9)**	**1.5**	**96.1**	**150.3**	**241.0**	**801.7**	**8,591.2**	**–**

(c) Other non-controlling interests

Goodman PLUS Trust, a controlled entity of the Trust, had on issue 3.27 million hybrid securities with a face value of $100 per security (Goodman PLUS) that met the definition of equity and were presented as other non-controlling interests. Goodman PLUS were preferred, perpetual non-call securities, listed on the ASX. During the year, all the Goodman PLUS on issue were repurchased, at par, by the Group. Costs of $1.2 million incurred on the original issue of Goodman PLUS were transferred to retained earnings following the repurchase.

	Goodman and GIT	
	2018 $M	2017 $M
Balance at the beginning of the year	325.8	325.8
Profit attributable to other non-controlling interests	4.6	18.7
Distributions paid and payable to holders of Goodman PLUS	(4.6)	(18.7)
Repurchase of Goodman PLUS	(327.0)	–
Transfers to retained earnings on repurchase of Goodman PLUS	1.2	–
Balance at the end of the year	**–**	**325.8**

Other items continued

19. CONTROLLED ENTITIES

Controlled entities are entities controlled by the Company. Under Australian Accounting Standards, the Company is identified as having acquired control over the assets of the Trust and GLHK. The consolidated financial statements incorporate the assets and liabilities of all controlled entities as at 30 June 2018 and the results of all such entities for the year ended 30 June 2018.

Where an entity either began or ceased to be controlled during the financial year, the results of that entity are included only from or to the date control commenced or ceased.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

The significant controlled entities of the Company are set out below:

Significant controlled entities of Goodman Limited	Country of establishment/incorporation
GA Industrial Portfolio Trust	Australia
Goodman Australia Finance Pty Limited[1]	Australia
Goodman Capital Trust[1]	Australia
Goodman Europe Development Trust[1]	Australia
Goodman Finance Australia Trust[1]	Australia
Goodman Funding Pty Limited[1]	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust[1]	Australia
Goodman Ultimo Trust[1]	Australia
Moorabbin Airport Corporation Pty Ltd	Australia
Goodman Belgium NV	Belgium
Goodman Management Services (Belgium) NV	Belgium
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	Cayman Islands
MGI HK Finance[1]	Cayman Islands
Goodman Management Consulting (Beijing) Co. Ltd	China
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman Czech Republic sro	Czech Republic
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Hong Kong Investment Trust	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Hungary Kft	Hungary
Goodman Italy S.R.L.	Italy
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
Goodman Eastside Locks 1 (Jersey) Ltd[1]	Jersey
Goodman Finance (Jersey) Limited[1]	Jersey
GELF Management (Lux) Sàrl	Luxembourg
Goodman Europe (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl[1]	Luxembourg
Goodman Finance Two (Lux) Sàrl[1]	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Meadow Logistics Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
Goodman Rowan Logistics S.à.r.l	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited[1]	New Zealand
Goodman Holdings (NZ) Limited	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman (Wynyard Precinct) Limited	New Zealand
Goodman Poland Sp zoo	Poland
Goodman Slovakia sro	Slovakia

1. Significant controlled entities of Goodman Industrial Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

19. CONTROLLED ENTITIES CONTINUED

Significant controlled entities of Goodman Limited	Country of establishment/incorporation
Goodman Galaxy Holding BV	The Netherlands
Goodman Netherlands BV	The Netherlands
Sugar Maple Logistics BV	The Netherlands
B Logistics 1 Limited	United Kingdom
Eastside Locks Property Company LLP	United Kingdom
Goodman Eastside Locks UK Ltd	United Kingdom
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Logistics Management (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Real Estate (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman Management USA Inc	United States
Goodman US Finance One, LLC[1]	United States
Goodman US Finance Two, LLC[1]	United States
Goodman US Finance Three, LLC[1]	United States
Goodman US Finance Four, LLC[1]	United States
Goodman US Finance Five, LLC[1]	United States
Tarpon Properties REIT Inc[1]	United States

1. Significant controlled entities of Goodman Industrial Trust.

20. RELATED PARTIES

The names of key management personnel of Goodman at any time during the financial year are as follows:

Non-Executive Directors
Mr Ian Ferrier AM
Mr Philip Fan[1]
Mr John Harkness[1]
Mr Stephen Johns
Ms Anne Keating[1]
Ms Rebecca McGrath
Mr Phillip Pryke
Mr Jim Sloman, OAM
Ms Penny Winn[2]

Executive Directors
Mr Gregory Goodman
Mr Anthony Rozic
Mr Danny Peeters

Other executives
Mr Nick Kurtis
Mr Nick Vrondas
Mr Michael O'Sullivan[3].

1. Mr Philip Fan, Mr John Harkness and Ms Anne Keating ceased to be key management personnel effective 16 November 2017.
2. Ms Penny Winn commenced as a key management person effective 1 February 2018.
3. Mr Michael O'Sullivan commenced as a key management person effective 1 July 2017. Mr Jason Little was a key management person in FY17 but ceased to be a key management person effective 1 July 2017.

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Goodman		Company[1]	
	2018 $M	2017 $M	2018 $M	2017 $M
Short-term employee benefits	6,931.5	7,139.1	–	–
Post-employment benefits	222.9	225.7	–	–
Equity compensation benefits	23,571.4	19,716.3	–	–
Long-term employee benefits	3,944.6	4,867.1	–	–
	34,670.4	**31,948.2**	**–**	**–**

1. The remuneration is paid by wholly-owned controlled entities of the Company.

GIT does not employ personnel in its own right. However, it is required to have an incorporated responsible entity to manage its activities and GFML is considered to be the key management personnel of GIT.

Individual Directors' and executives' compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report.

Other items continued

20. RELATED PARTIES CONTINUED

Transactions with associates and JVs

The transactions with managed partnerships during the financial year were as follows:

	Goodman						GIT			
	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to related parties		Revenue from disposal of investment properties		Interest charged on loans to related parties	
	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Associates	211,615.8	263,331.2	526,739.9	732,529.4	352.4	565.0	6,464.8	263,331.3	–	–
JVs	53,662.2	–	345,303.2	477,814.2	428.2	236.8	–	–	132.3	–

In addition to the transactions disclosed above, Goodman disposed of a controlled entity to GUKP for consideration of $94,311.6 thousand and eight controlled entities to Goodman Brazil Logistics Partnership (GBLP) for consideration of $53,662.2 thousand. Goodman and GIT also disposed of their interest in a JV to GAIP for consideration of $125,812.2 thousand.

Amounts due from managed partnerships at 30 June 2018 were as follows:

	Goodman				GIT			
	Amounts due from related parties[1]		Loans provided by Goodman[2]		Amounts due from related parties[1]		Loans provided by GIT[2]	
	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Associates								
GAIP	158,511.3	12,857.3	–	–	125,812.2	–	–	–
GAP	2,452.8	6,412.8	–	–	–	–	–	–
GMT	17.5	4,021.3	–	–	–	–	–	–
GHKLP	36,938.8	6,975.3	–	–	–	–	–	–
GJCP	2,683.3	1,593.9	–	–	–	–	–	–
GEP	22,939.6	28,851.9	21,179.2	16,894.7	–	–	–	–
ABPP	–	1,373.4	–	–	–	–	–	–
	223,543.3	**62,085.9**	**21,179.2**	**16,894.7**	**125,812.2**	**–**	**–**	**–**
JVs								
GCLP	57,915.6	20,762.7	–	–	–	–	–	–
Other JVs	14,183.8	9,255.5	52,575.7	18,629.6	2,864.7	4,279.1	6,575.2	–
	72,099.4	**30,018.2**	**52,575.7**	**18,629.6**	**2,864.7**	**4,279.1**	**6,575.2**	**–**

1. Amounts due from related parties are either receivable within 30 days or on completion of the related development project.
2. Loans provided by Goodman and GIT to associates and JVs have been provided on an arm's length basis. At 30 June 2018, a shareholder loan of $21.2 million (2017: $16.9 million) has been provided to GEP and its controlled entities and incurs interest at 6.9% per annum.

Transactions between GIT and other Goodman entities

In accordance with the Trust's Constitution, GFML is entitled to be reimbursed where expenses have been incurred on behalf of the Trust:

	GIT	
	2018 $M	2017 $M
Reimbursement of expenses	**44,521.0**	**23,987.5**

As at 30 June 2018, no amounts were owed to GFML (2017: $nil).

Other Goodman entities perform a number of services for GIT. The fees, costs and expenses for the services performed during the year were as follows:

	GIT	
	2018 $M	2017 $M
Property services fees (including property management and leasing)	2,014.5	2,448.4
Development management and project fees	500.0	2,250.0
Building manager costs reimbursed	893.8	778.2
Reimbursement of expenses	–	24,578.2
	3,408.3	**30,054.8**

In addition to the above, interest bearing loans exist between GIT and other Goodman entities. At 30 June 2018, interest bearing loans of $3,007.8 million (2017: $2,933.3 million) were receivable by GIT from other Goodman entities and $796.0 million (2017: $30.8 million) was payable by GIT to other Goodman entities. Loans to related Goodman entities bear interest at rates referenced to GIT's external funding arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

21. COMMITMENTS

Goodman's operating lease commitments (as a lessee) are set out below:

	2018 $M	2017 $M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	16.6	17.0
– One year or later and no later than five years	30.6	38.7
– Later than five years	4.7	1.0
	51.9	**56.7**
Future commitments in respect of development land leased by Goodman and held as inventory. These amounts are not provided for in the financial statements and payable:		
– Within one year	1.8	1.3
– One year or later and no later than five years	11.0	7.4
– Later than five years	101.4	83.4
	114.2	**92.1**

GIT has no operating lease commitments as a lessee (2017: $nil).

Development activities

At 30 June 2018, Goodman was committed to expenditure in respect of $264.3 million (2017: $290.5 million) on inventories and other development activities. GIT has no such commitments (2017: $nil).

Investment properties

At 30 June 2018, capital expenditure commitments on Goodman's existing investment property portfolio was $16.9 million (2017: $72.3 million). GIT has no such commitments (2017: $nil).

Managed partnerships

At 30 June 2018, Goodman had a remaining equity commitment of $63.2 million (2017: $96.2 million) into GEP. This commitment also applies to GIT.

In relation to GAIP and GEP, Goodman offers limited liquidity facilities to investors, which allow the investors to sell to Goodman some or all of their investment in the managed partnerships. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to $7.5 million of the issued capital of GAIP each quarter and EUR 25 million of the issued capital of GEP each half year. Furthermore, Goodman is only required to purchase units where its co-investment in GAIP or GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest (together with its custodian's interest) in GAIP and GEP is below the prescribed limit and both liquidity facilities are open for investors. The commitment under the liquidity facility also applies to GIT.

Furthermore, in respect of certain partnerships, Goodman and its investment partners have committed to invest further capital, subject to the unanimous approval by the partners of the relevant property acquisition and/or development for which the funding is required. Goodman's commitment in respect of these partnerships is set out below:

+ $371.8 million (2017: $396.5 million) into GJDP;
+ $396.0 million (2017: $505.1 million) into GCLP;
+ $269.7 million (2017: $299.4 million) into GUKP;
+ $1,406.7 million (2017: $798.7 million) into GNAP; and
+ $875.2 million (2017: $nil) into GBLP.

GIT would contribute its proportionate share of investments in GNAP and GBLP.

Other items continued

22. AUDITORS' REMUNERATION

	Goodman 2018 $M	Goodman 2017 $M	GIT 2018 $M	GIT 2017 $M
Audit services				
Auditor of the Company:				
– Audit and review of financial reports (KPMG Australia)	884.9	878.3	443.5	434.1
– Audit and review of financial reports (overseas KPMG firms)	850.6	966.2	59.8	97.8
	1,735.5	**1,844.5**	**503.3**	**531.9**
Other services				
– Other regulatory services (KPMG Australia)	53.3	47.7	35.0	47.7
– Other assurance services (KPMG Australia)	300.5	300.0	300.5	300.0
– Other advisory services (KPMG Australia)	25.0	154.6	–	58.8
– Taxation compliance services (KPMG Australia)	103.7	170.8	74.0	132.4
– Taxation compliance services (overseas KPMG firms)	158.5	165.5	–	6.3
– Taxation advice (KPMG Australia)	25.5	36.1	15.4	–
– Taxation advice (overseas KPMG firms)	117.4	68.8	–	–
	783.9	943.5	424.9	545.2
Total paid/payable to KPMG	**2,519.4**	**2,788.0**	**928.2**	**1,077.1**
Other auditors				
– Audit and review of financial reports (non–KPMG firms)	**81.8**	**108.9**	**–**	**–**

23. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2018, the parent entities of Goodman and GIT were Goodman Limited and Goodman Industrial Trust respectively. The financial information for the parent entities is disclosed as follows:

	Goodman Limited 2018 $M	Goodman Limited 2017 $M	Goodman Industrial Trust 2018 $M	Goodman Industrial Trust 2017 $M
Result of the parent entity				
Dividends/distributions from investments	11.9	50.0	672.7	747.7
Net loss on disposal of investments	–	–	–	(135.0)
Other expenses	(0.6)	(1.0)	(77.1)	(418.3)
Interest expense	(28.1)	(46.1)	(13.3)	(77.7)
Foreign exchange gain/(loss)	2.3	(35.3)	(10.2)	19.9
(Loss)/profit before tax	**(14.5)**	**(32.4)**	**572.1**	**136.6**
Income tax benefit/(expense)	52.2	(2.7)	(19.9)	(12.9)
Profit/(loss) for the year	**37.7**	**(35.0)**	**552.2**	**123.7**
Other comprehensive income for the year	–	–	–	–
Total comprehensive income/(loss) for the year	**37.7**	**(35.0)**	**552.2**	**123.7**
Financial position of the parent entity at year end				
Current assets	46.1	109.4	2,910.3	1,146.7
Total assets	1,471.5	1,743.2	7,088.8	4,826.4
Current liabilities	1,424.5	1,752.6	155.2	224.8
Total liabilities	1,424.5	1,752.6	2,261.4	236.6
Total equity of the parent entity comprising:				
Issued capital	741.9	728.8	7,381.3	7,310.5
Profits reserve	90.7	90.7	129.3	100.4
Employee compensation reserve	19.4	13.8	–	–
Accumulated losses	(805.0)	(842.7)	(2,683.2)	(2,821.1)
Total equity	**47.0**	**(9.4)**	**4,827.4**	**4,589.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

23. PARENT ENTITY DISCLOSURES CONTINUED

The financial information for the parent entities of Goodman and GIT has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities and managed partnerships

Investments in controlled entities and managed partnerships are accounted for at cost in the financial statements of Goodman Limited and Goodman Industrial Trust. Distributions/dividends received from managed partnerships are recognised in profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation

Goodman Limited is the head entity in a tax consolidated group comprising all Australian wholly-owned subsidiaries (this excludes GIT). The head entity recognises all of the current tax assets and liabilities of the tax consolidated group (after elimination of intra-group transactions).

Financial guarantees

Where the parent entities have provided financial guarantees in relation to loans and payables of controlled entities for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Parent entity capital commitments

At 30 June 2018, the parent entities had no capital commitments (2017: $nil).

Parent entity contingencies

Capitalisation Deed Poll

The Company, GFML, as responsible entity of the Trust, GLHK and certain of their wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 12(d)), Goodman Australia Finance Pty Limited, a controlled entity of GIT, had on issue £121.0 million notes at a fixed coupon of 9.75% per annum. GFML, as responsible entity of the Trust, and GLHK and GL had unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these notes. Subsequent to the end of the financial year, interest has been paid and the notes repaid in full.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to notes 12(e) and 12(f)), controlled entities of GIT had on issue USD and EUR notes amounting to US$1,303.8 million and €500.0 million respectively. GL, GFML, as responsible entity of the Trust, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

24. EVENTS SUBSEQUENT TO BALANCE DATE

Goodman and GIT

Other than as disclosed elsewhere in the consolidated financial statements, there has not arisen in the interval between the end of the financial year and the date of this consolidated financial report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman and GIT, the results of those operations, or the state of affairs of Goodman and GIT, in future financial years.

DIRECTORS' DECLARATION

Goodman Group

In the opinion of the directors of Goodman Limited and the directors of Goodman Funds Management Limited, the responsible entity for Goodman Industrial Trust:

(a) the consolidated financial statements and the notes of Goodman Limited and its controlled entities and Goodman Industrial Trust and its controlled entities set out on pages 71 to 126 and the remuneration report that is contained on pages 44 to 65 in the Directors' report, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of Goodman's and GIT's financial position as at 30 June 2018 and of their performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company and the Trust will be able to pay their debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.

The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Ian Ferrier AM
Independent Chairman
Sydney, 17 August 2018

Gregory Goodman
Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the stapled security holders of Goodman Group and the unitholders of Goodman Industrial Trust

KPMG

REPORT ON THE AUDITS OF THE FINANCIAL REPORT

Opinions

We have audited the Financial Report of Goodman Limited (the Company) as the deemed parent presenting the stapled security arrangement of the Goodman Group (the Goodman Group Financial Report).

We have also audited the Financial Statements of Goodman Industrial Trust (the Trust Financial Report).

In our opinion, each of the accompanying Goodman Group Financial Report and Trust Financial Report are in accordance with the *Corporations Act 2001*, including:

+ giving a true and fair view of the Goodman Group's and of the Trust's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
+ complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The content of each of the Goodman Group and Trust Financial Report comprise:

+ Consolidated statement of financial position as at 30 June 2018
+ Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended
+ Notes including a summary of significant accounting policies (collectively referred to as Financial Statements)
+ Directors' Declaration.

The Goodman Group consists of Goodman Limited and the entities it controlled at the year-end or from time to time during the financial year, Goodman Industrial Trust (the Trust) and the entities it controlled at the year end or from time to time during the financial year, and Goodman Logistics (HK) Limited and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Report* section of our report.

We are independent of the Goodman Group, Goodman Limited, Goodman Funds Management Limited (the Responsible Entity of the Trust), and the Trust in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audits of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The Key Audit Matters we identified for the Goodman Group are:

+ Recognition of development income;
+ Valuation of investment properties, investments accounted for using the equity method and inventories;
+ Value of intangible assets; and
+ Recognition of performance fee income and expenses.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Recognition of development income ($1,115.8m)	
Refer to Note 2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Development income was a key audit matter due to: + its significant value (42% of Revenue); + the volume of transactions; and + the judgements applied by us to assess the Goodman Group's determination of revenue recognised during the period in relation to contracts which remain in progress at period end. Development income comprises income from disposal of inventories, fee income from development management contracts and income from fixed price construction contracts. Income from development management services is recognised progressively, requiring judgment by us when considering the Goodman Group's determination of the amount and extent of the services provided based on contract deliverables. Income from certain inventory disposals and fixed price construction contracts is recognised in proportion to the stage of completion of the relevant contracts. We focused on the stage of completion estimation which is based on costs incurred as a percentage of estimated total costs for each contract.	Our procedures included: + Selecting specific contracts from development income recognised (in relation to contracts that remain in progress at period end) based on quantitative and qualitative information (such as the size and complexity of the arrangement); and + Evaluating Goodman Group's recognition of development fee income against the criteria in the accounting standards. For the specific contracts selected, our procedures included: + Understanding the underlying contractual arrangements, in particular their unique terms; + Where recognition of development income is conditional upon certain events occurring, checking correspondence with external parties for evidence of achievement of conditions; + Assessing the Goodman Group's determination of revenue recognised during the period in accordance with the provision of services stipulated in the underlying contract or the stage of completion; and + For revenue recognised based on the stage of completion, assessing a sample of costs incurred to date and total forecast costs against project feasibilities. We tested project feasibilities in the "Valuation of inventories" key audit matter below.

INDEPENDENT AUDITOR'S REPORT

To the stapled security holders of Goodman Group and the unitholders of Goodman Industrial Trust

KPMG

Valuation of investment properties ($1,774.6m), investments accounted for using the equity method ($6,585.5m) and inventories ($958.0m)

Refer to Note 6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuations of property assets is a key audit matter as they are significant in value (being 69% of total assets) and contain assumptions with estimation uncertainty. These estimates lead to additional audit effort due to differing assumptions based on asset classes and geographies. The Goodman Group's investments in property assets include investment properties and inventories, which are held either directly or through its investments accounted for using the equity method. Valuations of property assets are performed using internal valuation methodologies or through the use of external valuation experts. The valuations of property assets include a number of significant assumptions: + Investment properties: – capitalisation rates; – market rental yields; – vacancy levels; – projections of capital expenditure; and – lease incentive costs. + Inventories: – forecast capitalisation rates; – market rental yields; – letting up periods; – lease incentive costs; and – development costs.	Our procedures included: + Understanding the Goodman Group's process regarding the valuation of property assets; and + Testing controls for preparing, reviewing and approving the valuations based on the Goodman Group's policies. We assessed these policies and the Goodman Group's method of application against the accounting standards. For a sample of investment properties: + Assessing the scope, competence and objectivity of external valuation experts and competence of internal valuers; and + Taking into account the geographies and characteristics of individual investment properties, we challenged key assumptions by comparing to commentary published by industry experts, recent market transactions and our knowledge of historical performance of the assets. Where these assumptions were outside our expectations, we inquired with management to understand why and checked to underlying documentation. For a sample of inventories: + Challenging the key assumptions included in the Goodman Group's internal recoverability assessments (project feasibilities) and valuations by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.

KPMG

Value of intangible assets ($816.7m)	
Refer to Note 10 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2018 the Goodman Group's intangible assets comprised goodwill and management rights. The valuation of intangible assets was identified as a key audit matter as the Goodman Group's annual impairment assessment contains significant judgments involving forecasting and discounting future cash flows. The impairment assessment is based on the value in use model performed for each division of the Goodman Group. The value in use models incorporate significant judgment in respect of future conditions and assumptions such as: + discount rates, which are complicated in nature and vary according to the local market conditions the specific division is subject to; and + forecast cash flows, which are impacted by; – the level and margins of ongoing development activity; and – forecast funds management income (which is primarily dependent on assets under management). We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: + Understanding and assessing the Goodman Group's process and methodology to value intangible assets in light of the requirements of the accounting standards; + Understanding the Goodman Group's budgeting process to evaluate the assumptions upon which the cash flow forecasts are based; + For divisions with significant intangible assets: – Working with our valuation specialists, evaluating the discount rates and terminal growth rates used in the value in use models by comparing to publicly available data of comparable entities; – Assessing the ability of the Goodman Group to accurately forecast by comparing previous forecasts to actual results; – Comparing the division's forecast cash flows contained in the value in use models to Board approved forecasts; – Challenging the divisions forecast cash flows from development activity and funds management based on our understanding of local market conditions; and – Performing a sensitivity analysis on the discount rates, growth rates and forecast assets under management by applying a reasonably possible range of outcomes to focus our further procedures.

INDEPENDENT AUDITOR'S REPORT

To the stapled security holders of Goodman Group and the unitholders of Goodman Industrial Trust

KPMG

Recognition of performance fee income and expenses

Refer to Consolidated Income Statement

The key audit matter	How the matter was addressed in our audit
The Goodman Group, in its capacity as an investment manager, has the ability to earn portfolio performance fees from its managed partnerships. There are two accounting considerations for the performance fees: + Performance fee income – fees received by the Goodman Group from managed partnerships; and + Performance fee expense – the Goodman Group's share of the expense recognised in the managed partnerships. Recognition of performance fee income and expense is considered a key audit matter due to the judgment involved in assessing the quantum of performance fees to be recognised and accrued for at period end. The Goodman Group is entitled to receive performance fee income at a set date in the future with respect to certain managed partnerships. The managed partnerships of the Goodman Group are required to recognise performance fee expense when it is probable an outflow of economic benefits will occur at a set date in the future. The performance fee expenses are based on forecast returns made by the managed partnerships which require significant judgments to be made by the Goodman Group.	Our procedures included: + Reading agreements with managed partnerships to understand the key terms related to performance fees; + Evaluating Goodman Group's methodology regarding the computation of performance fee income and expenses against the criteria in the accounting standards; and + For a sample of significant performance fees: – Assessing the Goodman Group's computation of the performance fee income and expense based on our understanding of the underlying managed partnership agreements; – Assessing the probability of economic benefits flowing to the Goodman Group based on current and forecast partnership performance; and – Challenging the key assumptions used in the Goodman Group's computation of forecast performance by comparing to internal data and commentary published by industry experts, recent market transactions and/or historical performance of the assets.

KPMG

Other Information

Other Information is financial and non-financial information in the Goodman Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Company and the Directors of the Responsible Entity are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report (including the Remuneration Report). The Chairman's Letter, Group Chief Executive Officer's Report, Corporate Responsibility and Sustainability, Corporate Governance and Securities Information are expected to be made available to us after the date of the Auditor's Report.

Our opinions on the Financial Report do not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audits of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Company and the Responsible Entity are responsible for:

+ preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
+ implementing necessary internal controls to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
+ assessing the Goodman Group and Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Goodman Group or the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Report

Our objective is:

+ to obtain reasonable assurance about whether the Financial Report, and the respective 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 opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audits of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Goodman Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 44 to 65 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

John Teer
Partner

Sydney
17 August 2018

APPENDIX A – GOODMAN LOGISTICS (HK) LIMITED

Consolidated financial statements for the year ended 30 June 2018

CONTENTS

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited ("the Company") and its subsidiaries (collectively referred to as the "Consolidated Entity") for the year ended 30 June 2018 ("FY18").

INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong.

On 22 August 2012, the Company became a party to the stapling deed with Goodman Limited ("GL") and Goodman Industrial Trust ("GIT"), and together the three entities and their subsidiaries are known as Goodman Group. Goodman Group is listed on the Australian Securities Exchange ("ASX").

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, investment management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 17 to the consolidated financial statements.

FINANCIAL STATEMENTS

The financial performance of the Consolidated Entity for the year ended 30 June 2018 and the Consolidated Entity's financial position at that date are set out in the consolidated financial report on pages 143 to 146.

During the year, the Company declared a final dividend of 5.0 cents per share amounting to $90.0 million. The dividend is payable out of FY18 profit after tax. In the prior year, the Company declared and paid a final dividend of 1.0 cent per share amounting to $17.8 million relating to performance in FY16.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 13 to the consolidated financial statements.

DIRECTORS

The directors during the year and up to the date of this report were:

Ian Douglas Ferrier, AM
David Jeremy Collins (appointed on 1 February 2018)

Philip Yan Hok Fan (retired on 16 November 2017)

Gregory Leith Goodman (appointed on 16 November 2017, resigned on 1 February 2018 and appointed alternate director to Ian Douglas Ferrier)

Daniel Cornelius D Peeters (appointed on 1 February 2018)

DIRECTORS OF CONTROLLED ENTITIES

The names of directors who have served on the boards of the controlled entities of the Company during the year ended 30 June 2018 are set out below:

Godfrey Abel
Philippe Arfi
Hugh Baggie
Marwan Bustani
Tai Yit Chan
Edwin Chong Chee Wai
Blazej Andrzej Ciesielczak
John Morton Dakin
Karl Dockx
Chun Kit Fung
Kristoffer Allan Harvey
David Anthony Hinchey
Garcia Cuenca Ignacio
Hove Izak
Henry Kelly
István Kerekes
Nicholas Kurtis
Wai Ho Stephen Lee
Shiling Li
Chi Wing Lin
Bart Manteleers
Jan Palek
Christof Prange
Dominique Prince
Joseph Salvaggio
Kim Swee Seah
Hong Shen
Cheng Lin Sim
Lien Standaert
Ai Ning Tan
Philippe Van der Beken
Emmanuel Van der Stichele
Simone Marlene Weyermanns
Jie Yang
Xiaoyin Zhang

STATE OF AFFAIRS

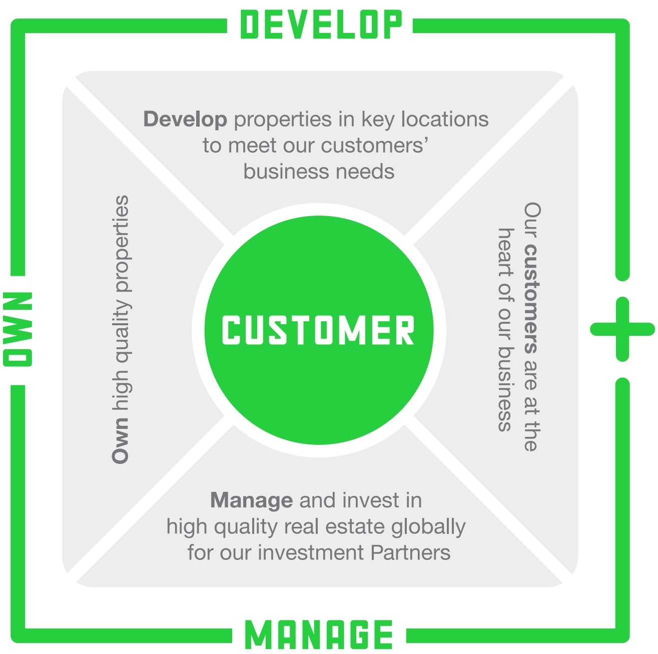
There were no significant changes in the Consolidated Entity's state of affairs during the year.

REPORT OF THE DIRECTORS
Continued

BUSINESS REVIEW

Goodman Group's strategy

Goodman Group's vision is to be a global leader in industrial property. This vision is executed through the integrated "own+develop+manage" business capabilities.



These business capabilities are supported by five strategic "pillars":

+ **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, capital partners, suppliers and employees;
+ **Quality product and service** – deliver high quality product and customer service in key logistics markets globally by actively leveraging Goodman Group's industrial sector expertise, development and management experience and global operating platform;
+ **Culture and brand** – promote Goodman Group's unique and recognisable brand and embed Goodman Group's core values across each operating division to foster a strong and consistent culture;
+ **Operational efficiency** – optimise business resources to ensure effectiveness and drive efficiencies; and
+ **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

PERFORMANCE REVIEW

The key performance indicators relate to the property investment, development and management activities associated with Goodman Group's integrated business model. These income streams exist within each of Goodman Group's geographical segments, being Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas. The results of the Consolidated Entity include property investment, development and management earnings in Asia, Continental Europe and the United Kingdom.

	2018 $M	2017 $M
Analysis of operating earnings		
Property investment	41.6	30.4
Development	204.9	233.9
Management	149.5	98.0
Operating expenses	(104.1)	(97.4)
Operating earnings before net finance expense and income tax expense	**291.9**	**264.9**

Operating earnings comprises profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash adjustments or non-recurring items. While operating earnings is not an income measure under Hong Kong Financial Reporting Standards, the directors consider it a useful means through which to examine the underlying performance of the Consolidated Entity.

PROPERTY INVESTMENT ACTIVITIES

	2018 $M	2017 $M
Net property income	12.7	6.1
Managed partnerships	28.9	24.3
Property investment earnings	**41.6**	**30.4**

Key metrics	**2018**	**2017**
Weighted average capitalisation rate (%)	5.8	6.0
Weighted average lease expiry (years)	4.7	4.4
Occupancy (%)	99.0	97.4

Property investment earnings comprise property income from investment properties, completed developments held for sale and the Consolidated Entity's share of the results of property investment joint ventures (referred to by the Consolidated Entity as "managed partnerships").

The Consolidated Entity no longer directly owns stabilised investment property but continues to receive net property income from completed development assets prior to disposal. The increase in net property income in the current year was primarily contributed by completed development assets in Continental Europe.

An increase in occupancy rates as well as higher cornerstone investment in partnerships have resulted in a corresponding increase in the share of net results of managed partnerships.

DEVELOPMENT ACTIVITIES

	2018 $M	2017 $M
Net development income	182.2	196.5
Managed partnerships	22.7	37.4
Development earnings	**204.9**	**233.9**

Key metrics	2018	2017
Work in progress ($ billion)	1.6	1.5
Work in progress (million square metres)	1.5	1.6
Work in progress (number of developments)	37	42
Developments completed during the year (number of developments)	38	42

Development earnings comprise development income (including development management fees) net of expenses, income from sales of properties (primarily inventories but also including disposals of special purpose entities in certain jurisdictions) and the Consolidated Entity's share of the results of property development partnerships. The key drivers for maintaining or growing the Consolidated Entity's development earnings are maintaining both the level of development activity and development margins and the continued availability of third party capital to fund development activity.

Market conditions continue to be favourable and development volumes and margins were maintained, resulting in development earnings of $204.9 million (2017: $233.9 million). This reflected another strong contribution from development activities. The decrease in earnings relative to the prior year is due to the timing of transactions in both Continental Europe and Asia.

The Consolidated Entity still sees development as the best means of accessing high quality product in the markets it operates in given the strength in asset pricing at 30 June 2018.

MANAGEMENT ACTIVITIES

	2018 $M	2017 $M
Management earnings	149.5	98.0

Key metrics	2018	2017
Number of managed vehicles	7	8
External assets under management ("AUM") (end of period) ($ billion)	16.5	13.6

Management earnings comprise investment management, including portfolio performance fees, and property services fees. The key drivers for maintaining or growing management earnings are activity levels, asset performance, and increasing the level of AUM, which can be impacted by property valuations and asset disposals and is also dependent on the continued availability of third party capital to fund both development activity and acquisitions across Goodman's managed partnerships.

Management activities contributed $149.5 million of income, an increase of $51.5 million compared to the prior financial year. Management earnings were driven by transactional activities and the continued growth in AUM across all the regions the Consolidated Entity operates in. In addition, strong total returns by partnerships over the past few years have resulted in the recognition of portfolio performance revenue during FY18 by Asia.

STATEMENT OF FINANCIAL POSITION

	2018 $M	2017 $M
Cornerstone investments in managed partnerships	907.2	651.4
Development holdings	443.4	622.4
Cash	115.5	107.9
Other assets	680.8	287.0
Total assets	**2,146.9**	**1,668.7**
Loans from related parties	897.0	852.3
Other liabilities	285.9	126.4
Total liabilities	**1,182.9**	**978.7**
Non-controlling interests	22.4	23.6
Net assets attributable to Shareholders	**941.6**	**666.4**

The value of cornerstone investments in managed partnerships has increased by $255.8 million to $907.2 million, principally driven by capital contributions into existing partnerships. A reconciliation of the current year movement in cornerstone investments in managed partnerships is detailed in note 6(f) to the consolidated financial statements. Distributions of income and capital from cornerstone investments in the current year amounted to $95.0 million.

The decrease in development holdings by $179.0 million to $443.4 million is primarily due to the completion and subsequent disposal of development projects in Continental Europe. At 30 June 2017, two major projects were in progress and had been presold to managed partnerships but were being funded through to completion by the Consolidated Entity. Development disposals also accounted for the increase in other assets, which comprises mainly of amounts due from and loans to related parties, by $393.8 million to $680.8 million. Amounts receivable from related parties have increased due to the disposal of development assets towards the end of the year. Proceeds received from development completions during the year have been on lent to related parties, resulting in an increase in loans to related parties by $285.9 million to $423.0 million.

The increase in other liabilities is principally due to a final dividend of $90.0 million that was declared in June 2018 and will be payable in August 2018.

REPORT OF THE DIRECTORS
Continued

CASH FLOW

	2018 $M	2017 $M
Operating cash flows	421.7	108.4
Investing cash flows	(123.4)	(1.7)
Financing cash flows	(296.4)	(64.1)
Net increase in cash held	**1.9**	**42.6**
Effect of exchange rate fluctuations on cash held	5.7	(2.0)
Cash at the beginning of the year	107.9	67.3
Cash at the end of the year	**115.5**	**107.9**

The increase in operating cash flows from the comparative year is primarily attributable to strong development activity during the year as well as receipts from a number of development projects that commenced in FY17 and were completed and disposed in the current year. Timing of development completions relative to the year end is often a key factor in operating cash flows.

Investing cash outflows have increased from the comparative year due to the funding of development activities undertaken by the managed partnerships.

Financing cash outflows have increased from the comparative year as operating cash inflows were available to repay loans from related parties.

OUTLOOK

The macro environment currently supports the industrial property market and the Consolidated Entity is strategically well placed given the financial and operational strength established over the years. The Consolidated Entity continues to see strong growth in demand for properties from customers in the physical markets and investors in the capital markets which is providing the Consolidated Entity with greater visibility and opportunities at this point in time.

Further information as to other likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report of the directors because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

RISKS

Goodman Group identifies operational risks for each of its regions as part of its strategy process. The key risks, an assessment of their likelihood of occurrence and consequences and controls that are in place to mitigate the risks are reported to the Goodman Group board annually.

Goodman Group has established formal systems and processes to manage the risks at each stage of its decision making process. This is facilitated by a Goodman Group Investment Committee comprising senior executives, chaired by the Group Chief Executive Officer, which considers all major operational decisions and transactions. The Goodman Group Investment Committee meets on a weekly basis.

The Goodman Group board has separate board committees to review and assess key risks. The Risk and Compliance Committee reviews and monitors material risks in Goodman Group's risk management systems, including market, operational, sustainability, regulation and compliance and information technology. The Goodman Group Audit Committee reviews and monitors financial risk management and tax policies.

The key risks faced by Goodman Group and the controls that have been established to manage those risks are set out below:

	Risk area	Mitigation
Capital management	Ensuring long-term availability of funding from both investors and financial institutions to support the sustainability of the business.	+ Goodman Group board approved financial risk management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Goodman Group board + Diversification of debt funding sources and maturities + Diversification of investment partners
Technology change and disruption	Through advancement in technology (as seen through automation/ robotics, investment in driverless vehicles and drone technology), there is a longer-term risk that warehouses become obsolete and not fit for purpose through their specialisation and/or location.	+ Key gateway city strategy – urban, infill locations support reusability of property + Generic building design – ease to reconfigure for another customer + Geographic diversification
Economic environment	Headline economic indicators suggest the world is getting back on track with GDP growth. However, there are still concerns. The recovery has been slow, productivity growth remains weak and investment growth is subdued. In many countries, real incomes have been stagnant for many years. This continues to present a challenging operating environment.	+ Global diversification of Goodman Group's property portfolios + Focus on core property portfolios in key gateway locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks

	Risk area	Mitigation
Governance, regulation and compliance	Non-compliance and changes to the regulatory environments (including tax) impact Goodman Group's business, including its reputation.	+ Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Goodman Group Investment Committee
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, contamination, earthquakes, adverse weather conditions and other environmental factors, along with general contractor capability.	+ Review of development projects by the Goodman Group Investment Committee + Goodman Group defined design specifications, which cover environmental, technological, and safety requirements, protecting against short term obsolescence + Internal audit reviews with reporting to the Risk and Compliance Committee + Insurance programme, both Goodman Group and general contractor + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Goodman Group Board oversight including limits with respect to speculative development
Asset management and leasing	Leasing risk exposures can reduce returns from Goodman Groups's portfolios. Adverse weather events and other environmental factors can adversely affect returns.	+ Key gateway city strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Goodman Group Investment Committee + Review of individual assets with respect to climate change impacts + Capital expenditure programmes keeping pace with property lifecycle
Concentration to counterparties and markets	Over-exposure to customers and market may limit growth and sustainability opportunities.	+ Diversification of customer base and lease expiry + Diversification of capital partners and partnership expiries
People	Retaining the executive management team, who support the sustainability of the business.	+ Succession planning for senior executives + Competitive remuneration structures + Performance management and review
Information and data security	Maintaining security of IT environment and ensuring continuity of IT applications to support sustainability and growth.	+ Reporting of risks and management activity + Managed security monitoring + Disaster recovery and business continuity planning and testing

ENVIRONMENTAL REGULATIONS

The Consolidated Entity has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of the Consolidated Entity's operations that are subject to significant environmental regulation under the laws of the countries the Consolidated Entity operates in. The directors have determined that the Consolidated Entity has complied with those obligations during the financial year and that there has not been any material breach.

DISCLOSURE IN RESPECT OF ANY INDEMNIFICATION OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Consolidated Entity's business to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS
Continued

DIRECTORS' INTEREST IN SHARES

At the end of the year, the directors (including alternate directors) held the following interests in the stapled securities of Goodman Group, which are listed on the ASX:

Directors	Direct securities	Indirect securities	Total
Ian Douglas Ferrier	195,974	–	195,974
Philip Yan Hok Fan[1]	93,258	–	93,258
David Jeremy Collins	–	–	–
Gregory Leith Goodman	97,799	38,024,673	38,122,472
Daniel Cornelius D. Peeters	–	1,796,560	1,796,560

1. Reflects number of securities at the date Mr Philip Yan Hok Fan ceased to be a director.

In addition, Mr Gregory Goodman and Mr Daniel Peeters participate in the Goodman Group Long Term Incentive Plan ("LTIP") under which they hold performance rights. Performance rights entitle participants to receive Goodman Group stapled securities without the payment of consideration, subject to Goodman Group satisfying performance criteria and the participants remaining employees of Goodman Group.

Details of the awards of performance rights under the LTIP granted as compensation to the directors (including alternate directors) at 30 June 2018 are as follows:

	Number of performance rights at date of appointment[1]	Number of performance rights at the end of the year[2]	Date performance rights granted	Financial years in which grant vests
Gregory Leith Goodman	1,600,000	1,600,000	16 Nov 17	2021–2023
	2,400,000	2,400,000	30 Sep 16	2020–2022
	2,000,000	2,000,000	25 Nov 15	2019–2021
	663,651	663,651	20 Nov 14	2018–2020
	298,422	298,422	22 Nov 13	2017–2019
Daniel Cornelius D. Peeters	550,000	550,000	16 Nov 17	2021–2023
	600,000	600,000	30 Sep 16	2020–2022
	450,000	450,000	25 Nov 15	2019–2021
	331,826	331,826	20 Nov 14	2018–2020
	132,632	132,632	22 Nov 13	2017–2019

1. Mr Gregory Goodman and Mr Daniel Peeters were both appointed directors during the year. The number of performance rights disclosed reflects their holdings at the date of their appointment. Mr Gregory Goodman was awarded 1,600,000 performance rights on the same date he was appointed a director.
2. Between the date of their appointment and the end of the financial year, Mr Gregory Goodman and Mr Daniel Peeters were not granted performance rights and none of the performance rights held by them vested or were forfeited.

Apart from the above, at no time during the year was the Company, its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other related body corporate.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

DECLARATION BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2018.

By order of the board of directors

Ian Douglas Ferrier, AM
Director

David Jeremy Collins
Director

Sydney, 17 August 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Goodman Logistics (HK) Limited
(incorporated in Hong Kong with limited liability)

KPMG

Opinion

We have audited the consolidated financial statements of Goodman Logistics (HK) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 143 to 146, which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information which comprises all the information included in the Company's Report of the directors.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Goodman Logistics (HK) Limited
(incorporated in Hong Hong with limited liability)

KPMG

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

+ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
+ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
+ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
+ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the 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.
+ Obtain 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. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 August 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018
(expressed in Australian dollars)

	Note	2018 $M	2017 $M
Current assets			
Cash	14(a)	115.5	107.9
Inventories	6(b)	172.2	127.1
Receivables	7	659.6	515.2
Current tax receivables	4(c)	2.5	0.2
Other assets		4.2	2.0
Total current assets		**954.0**	**752.4**
Non-current assets			
Inventories	6(b)	196.0	188.3
Investment properties	6(b)	–	22.5
Investments accounted for using the equity method	6(b)	907.2	651.4
Receivables	7	57.5	26.6
Other financial assets	10	21.5	20.5
Deferred tax assets	4(d)	0.2	–
Other assets		10.5	7.0
Total non-current assets		**1,192.9**	**916.3**
Total assets		**2,146.9**	**1,668.7**
Current liabilities			
Payables	8	904.9	871.8
Current tax payables	4(c)	14.5	15.3
Employee benefits		21.5	20.0
Dividend payable	12	90.0	–
Total current liabilities		**1,030.9**	**907.1**
Non-current liabilities			
Payables	8	147.3	71.5
Deferred tax liabilities	4(d)	4.7	0.1
Total non-current liabilities		**152.0**	**71.6**
Total liabilities		**1,182.9**	**978.7**
Net assets		**964.0**	**690.0**
Equity attributable to Shareholders			
Share capital	13(a)	674.6	661.1
Reserves	15	(459.6)	(548.7)
Retained earnings	16	726.6	554.0
Total equity attributable to Shareholders		**941.6**	**666.4**
Non-controlling interests		**22.4**	**23.6**
Total equity		**964.0**	**690.0**

The notes on pages 147 to 169 form part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 17 August 2018

Ian Douglas Ferrier, AM
Director

David Jeremy Collins
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018
(expressed in Australian dollars)

	Note	2018 $M	2017 $M
Revenue			
Gross property income		15.4	10.3
Management income		172.1	98.0
Development income	2	709.9	856.4
Dividends from investments		1.3	3.7
		898.7	**968.4**
Property and development expenses			
Property expenses		(2.7)	(4.2)
Development expenses	2	(529.7)	(662.7)
		(532.4)	**(666.9)**
Other income/(losses)			
Net loss on disposal of investment properties		–	(0.9)
Share of net results of equity accounted investments	6(f)	104.0	86.7
Net gain on disposal of equity accounted investments		0.7	–
		104.7	**85.8**
Other expenses			
Employee expenses		(80.2)	(72.7)
Share based payments expense		(28.4)	(22.7)
Administrative and other expenses		(46.5)	(24.7)
Impairment reversals	2	–	0.2
		(155.1)	**(119.9)**
Profit before interest and income tax	2	**315.9**	**267.4**
Net finance income/(expense)			
Finance income	9	3.1	1.0
Finance expense	9	(24.4)	(33.2)
Net finance expense		**(21.3)**	**(32.2)**
Profit before income tax		**294.6**	**235.2**
Income tax expense	4	(26.7)	(13.8)
Profit for the year		**267.9**	**221.4**
Profit for the year attributable to:			
Shareholders	16	262.6	216.0
Non-controlling interests		5.3	5.4
Profit for the year		**267.9**	**221.4**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Increase due to revaluation of other financial assets		–	5.7
Effect of foreign currency translation		85.7	(33.0)
Other comprehensive income/(loss) for the year		**85.7**	**(27.3)**
Total comprehensive income for the year		**353.6**	**194.1**
Total comprehensive income for the year attributable to:			
Shareholders		346.6	188.6
Non-controlling interests		7.0	5.5
Total comprehensive income for the year		**353.6**	**194.1**

The notes on pages 147 to 169 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018
(expressed in Australian dollars)

Year ended 30 June 2017		Attributable to Shareholders					
	Note	Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
Balance at 1 July 2016		**650.8**	**(526.1)**	**355.8**	**480.5**	**18.1**	**498.6**
Total comprehensive income for the year							
Profit for the year	16	–	–	216.0	216.0	5.4	221.4
Other comprehensive (loss)/income for the year		–	(27.4)	–	(27.4)	0.1	(27.3)
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(27.4)**	**216.0**	**188.6**	**5.5**	**194.1**
Contributions by and distributions to owners							
Dividend paid	12	–	–	(17.8)	(17.8)	–	(17.8)
Issue of shares to employees of Goodman Group	13(a)	10.3	–	–	10.3	–	10.3
Equity settled share based payments transactions	15(c)	–	4.8	–	4.8	–	4.8
Balance at 30 June 2017		**661.1**	**(548.7)**	**554.0**	**666.4**	**23.6**	**690.0**

Year ended 30 June 2018		Attributable to Shareholders					
	Note	Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
Balance at 1 July 2017		**661.1**	**(548.7)**	**554.0**	**666.4**	**23.6**	**690.0**
Total comprehensive income for the year							
Profit for the year	16	–	–	262.6	262.6	5.3	267.9
Other comprehensive income for the year		–	84.0	–	84.0	1.7	85.7
Total comprehensive income for the year, net of income tax		**–**	**84.0**	**262.6**	**346.6**	**7.0**	**353.6**
Contributions by and distributions to owners							
Dividend declared/paid	12	–	–	(90.0)	(90.0)	(7.6)	(97.6)
Issue of shares to employees of Goodman Group	13(a)	13.5	–	–	13.5	–	13.5
Equity settled share based payments transactions	15(c)	–	5.1	–	5.1	–	5.1
Disposal of special purpose development entity with non-controlling interests		–	–	–	–	(0.6)	(0.6)
Balance at 30 June 2018		**674.6**	**(459.6)**	**726.6**	**941.6**	**22.4**	**964.0**

The notes on pages 147 to 169 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2018
(expressed in Australian dollars)

	Note	2018 $M	2017 $M
Cash flows from operating activities			
Property income received		20.6	11.9
Cash receipts from development activities		922.7	661.3
Other cash receipts from services provided		137.6	98.0
Property expenses paid		(3.7)	(4.5)
Payments for development activities		(559.6)	(610.6)
Other cash payments in the course of operations		(105.9)	(82.3)
Dividends/distributions received		35.7	49.8
Interest received		1.1	0.1
Finance costs paid		(0.7)	(1.5)
Net income taxes paid		(26.1)	(13.8)
Net cash provided by operating activities	14(b)	**421.7**	**108.4**
Cash flows from investing activities			
Proceeds from disposal of investment properties		–	23.5
Payments for investment properties		(0.2)	(2.8)
Capital return from equity accounted investments		59.2	48.8
Payments for equity accounted investments		(182.3)	(71.5)
Payments for plant and equipment		(0.1)	(0.2)
Payments for controlled entities, net of cash acquired		–	0.5
Net cash used in investing activities		**(123.4)**	**(1.7)**
Cash flows from financing activities			
Net repayment of loans with related parties		(288.8)	(46.3)
Dividend paid		(7.6)	(17.8)
Net cash used in financing activities		**(296.4)**	**(64.1)**
Net increase in cash held		1.9	42.6
Cash at the beginning of the year		107.9	67.3
Effect of exchange rate fluctuations on cash held		5.7	(2.0)
Cash at the end of the year	14(a)	**115.5**	**107.9**

The notes on pages 147 to 169 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for investment properties and other financial assets which are stated at fair value.

As at 30 June 2018, the Consolidated Entity had net current liabilities of $76.9 million. In accordance with the stapling agreement between the Company ("GLHK"), Goodman Limited ("GL") and Goodman Funds Management Limited as responsible entity for Goodman Industrial Trust ("GIT"), on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

+ lending money or providing financial accommodation;
+ guaranteeing any loan or other financing facility including providing any security;
+ entering into any covenant, undertaking, restraint, negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
+ entering into any joint borrowing or joint financial accommodation and providing any guarantee, security, indemnities and undertakings in connection with the relevant joint borrowing or joint financial accommodation.

A party need not do anything under the above arrangements to the extent that the party considers that it is not in the interests of Goodman Group Securityholders as a whole, or would cause a member of the party's group to contravene or breach applicable laws or particular finance arrangements.

On the basis of the above, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a controlled entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. When an entity ceases to be controlled by the Company, it is accounted for as a disposal of the entire interest in the entity, with a resulting gain or loss being recognised in the statement of comprehensive income.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

Joint ventures

A joint venture ("JV") is an arrangement (referred to by the Consolidated Entity as a "managed partnership") in which the Consolidated Entity has joint control, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the JVs' net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(c) Principles of consolidation continued

Combination of entities or businesses under common control

Where the Consolidated Entity acquires entities or businesses from other members of Goodman Group such that all of the combining entities (businesses) are ultimately controlled by Goodman Group Securityholders both before and after the combination, the Consolidated Entity applies the pooling of interests method.

At the date of the combination of entities under common control, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities that would otherwise be done under the acquisition method. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration transferred and the equity "acquired" by the Consolidated Entity is reflected within equity (common control reserve).

Similar to the acquisition method, the results of the "acquired" entity are included only from the date control commenced. Comparatives are not restated to present the consolidated financial statements as if the entities had always been combined.

(d) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates applicable at the reporting date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

(e) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Consolidated Entity. The adoption of the amendments did not have any material impact on the preparation of the consolidated financial statements. However, additional disclosure has been included in note 14(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Consolidated Entity has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(f) Accounting standards issued but not yet effective

Up to the date of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 30 June 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Consolidated Entity:

+ HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting and replaces HKAS 39 Financial Instruments: Recognition and Measurement. The new standard will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The new standard is not expected to have a material impact on the Consolidated Entity's financial statements. At 30 June 2018, the Consolidated Entity had equity investments classified as available for sale with a fair value of $21.5 million. On initial application of HKFRS 9, the Consolidated Entity may elect to classify these investments as fair value through other comprehensive income or fair value through profit or loss. The Consolidated Entity has determined that it will continue to recognise fair value movements on financial assets available for sale through other comprehensive income upon the adoption of HKFRS 9;
+ HKFRS 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The new standard does not apply to the recognition of rental income from investment properties. The Consolidated Entity's other principal revenue streams have been reviewed and based on current contractual arrangements, there will be no change to the Consolidated Entity's revenue recognition. There will however, be additional disclosures in respect of contractual arrangements where performance obligations are satisfied over time; and
+ HKFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will become mandatory for the Consolidated Entity's 30 June 2020 financial statements and will result in the gross up of assets and liabilities where the Consolidated Entity leases office buildings, motor vehicles and development land classified as inventories. The financial impact arising from the gross up of office building and motor vehicle leases is not expected to be material. The financial impact from the gross up of development land leased by the Consolidated Entity will depend on the land leases held at the time of implementation of the new standard.

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(g) Critical accounting estimates used in the preparation of the consolidated financial statements

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year can be found in the following notes:

+ Note 6 – Property assets; and
+ Note 11 – Financial risk management.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Measurement of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

+ 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); and
+ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the following notes:

+ Note 6 – Property assets; and
+ Note 11 – Financial risk management.

RESULTS FOR THE YEAR

2. PROFIT BEFORE INTEREST AND TAX

Gross property income

Gross property income comprises rental income entitlements under operating leases, net of incentives provided, and amounts billed to customers for outgoings e.g. rates, levies, cleaning, security etc. Amounts billed to customers for outgoings is a cost recovery for the Consolidated Entity and is recognised once the expense has been incurred. The expense is included in property expenses.

Rental income entitlements under operating leases are recognised on a straight-line basis over the term of the lease contract. Where operating lease rental income is recognised relating to fixed increases in rentals in future years, an asset is recognised. This asset is a component of the relevant investment property carrying amount. The cost of lease incentives provided to customers is amortised on a straight-line basis over the life of the lease as a reduction of gross property income.

Management income

Fee income derived from investment management and property services is recognised progressively as the services are provided. Any performance related investment management income is recognised when the services have been performed and the income can be reliably measured.

Development income

Development income comprises income from disposal of inventories, fee income from development management services and income from fixed price construction contracts.

The disposal of inventories is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the profit or loss in the period of disposal.

Where the Consolidated Entity contracts to sell a completed development asset either prior to or during the development phase and certain conditions are met, the development profit is recognised in profit or loss in proportion to the stage of completion of the development. In these circumstances, the asset will be transferred from inventories to receivables.

Fee income from development management services is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs incurred. Any performance related development management income is recognised on attainment of the performance related consideration.

Certain development activities on land owned by third parties are assessed as being fixed price construction contracts. Revenue and expenses relating to these construction contracts are recognised in profit or loss in proportion to the stage of completion of the relevant contracts.

Disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the property at the time of the disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in profit or loss in the period of disposal.

Employee benefits

Wages, salaries and annual leave

Wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date. These are calculated at undiscounted amounts based on rates that are expected to be paid as at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Bonus

A liability is recognised in other payables and accruals for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for bonuses that are expected to be settled within 12 months are measured at the amounts expected to be paid, including related on-costs, when they are settled. Liabilities for bonuses, including related on-costs, which are expected to be settled after more than 12 months are discounted to reflect the estimated timing of payments.

Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Results for the year continued

2. PROFIT BEFORE INTEREST AND TAX CONTINUED

Profit before interest and income tax has been arrived at after crediting/(charging) the following items:

	2018 $M	2017 $M
Income from disposal of inventories	199.6	156.0
Net gain on disposal of special purpose development entities	15.3	17.7
Other development income	495.0	682.7
Development income	**709.9**	**856.4**
Inventory cost of sales	(157.1)	(121.0)
Other development expenses	(372.6)	(541.7)
Development expenses	**(529.7)**	**(662.7)**
Impairment reversals on receivables	–	0.2
Impairment reversals	**–**	**0.2**
Salaries, wages and other benefits	(79.3)	(72.0)
Contributions to defined contribution retirement plans	(0.9)	(0.7)
Transaction management fees	(22.6)	–
Operating lease expense	(7.2)	(7.0)
Depreciation of plant and equipment	(2.5)	(2.4)
Auditor's remuneration	(0.6)	(0.6)

3. SEGMENT REPORTING

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (which consists of China, Hong Kong and Japan), Continental Europe and the United Kingdom.

The activities and services undertaken by the operating segments include:

+ property investment, comprising the Consolidated Entity's cornerstone investments in managed partnerships;
+ management activities, both investment and property management; and
+ development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for the Consolidated Entity's managed partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, and the operating segment's investments in managed partnerships, but exclude receivables from GL, GIT and their controlled entities, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude payables to GL, GIT and their controlled entities, provision for dividends to Shareholders, income tax payables and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements for the Consolidated Entity.

There are no intersegment transactions.

Results for the year continued

3. SEGMENT REPORTING CONTINUED

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
Consolidated statement of comprehensive income	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**
External revenue								
Gross property income	2.8	1.0	12.6	9.3	–	–	15.4	10.3
Management income	118.9	53.7	53.2	44.3	–	–	172.1	98.0
Development income	45.9	43.0	664.0	813.4	–	–	709.9	856.4
Dividends from investments	1.3	3.7	–	–	–	–	1.3	3.7
Total external revenue	**168.9**	**101.4**	**729.8**	**867.0**	**–**	**–**	**898.7**	**968.4**
Reportable segment profit before income tax	**151.8**	**120.6**	**166.3**	**167.0**	**2.2**	**1.1**	**320.3**	**288.7**
Other key components of financial performance included in reportable segment profit before income tax								
Share of net results of equity accounted investments (before fair value adjustments)	42.2	54.8	7.2	5.8	2.2	1.1	51.6	61.7
Material non-cash items not included in reportable segment profit before income tax								
Share of fair value adjustments in equity accounted investments	32.3	22.8	9.7	0.2	10.4	2.0	52.4	25.0
Consolidated statement of financial position	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**	**2018 $M**	**2017 $M**
Reportable segment assets	**979.8**	**774.5**	**696.0**	**697.4**	**109.8**	**89.6**	**1,785.6**	**1,561.5**
Investments accounted for using the equity method (included in reportable segment assets)	675.5	514.0	122.3	89.2	109.4	48.2	907.2	651.4
Total non-current assets	773.1	642.2	310.4	225.9	109.4	48.2	1,192.9	916.3
Reportable segment liabilities	**50.3**	**31.2**	**83.1**	**66.6**	**–**	**–**	**133.4**	**97.8**

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2018 $M	**2017 $M**
Revenue		
Total revenue for reportable segments	898.7	968.4
Consolidated revenue	**898.7**	**968.4**
Profit or loss		
Total profit before income tax for reportable segments	**320.3**	**288.7**
Corporate expenses not allocated to reportable segments	(28.4)	(23.8)
	291.9	**264.9**
Valuation and other adjustments not included in reportable segment profit before income tax:		
– Impairment reversals	–	0.2
– Share of fair value adjustments in equity accounted investments	52.4	25.0
– Share based payments expense	(28.4)	(22.7)
Net finance expense – refer to note 9	(21.3)	(32.2)
Consolidated profit before income tax	**294.6**	**235.2**
Assets		
Total assets for reportable segments	1,785.6	1,561.5
Other unallocated amounts[1]	361.3	107.2
Consolidated total assets	**2,146.9**	**1,668.7**
Liabilities		
Total liabilities for reportable segments	133.4	97.8
Other unallocated amounts[1]	1,049.5	880.9
Consolidated total liabilities	**1,182.9**	**978.7**

1. Other unallocated amounts comprise principally receivables from and payables to GL, GIT and their controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Results for the year continued

4. INCOME TAX EXPENSE

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(a) Taxation in the consolidated statement of comprehensive income

	2018 $M	2017 $M
Current tax expense – Hong Kong profits tax		
Current year	(7.3)	(2.6)
Adjustment for prior periods	0.4	1.0
	(6.9)	**(1.6)**
Current tax expense – overseas		
Current year	(15.2)	(15.6)
Adjustment for prior periods	(0.2)	3.4
	(15.4)	**(12.2)**
Deferred tax expense		
Origination and reversal of temporary differences	(4.6)	–
Benefit of tax losses recognised	0.2	–
	(4.4)	**–**
Total income tax expense	**(26.7)**	**(13.8)**

The provision for Hong Kong profits tax for the 2018 financial year is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates

	2018 $M	2017 $M
Profit before income tax	294.6	235.2
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(78.8)	(64.2)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(9.8)	(8.2)
– Non–assessable income	74.1	61.7
– Non–deductible expense	(17.6)	(10.7)
– Utilisation of previously unrecognised tax losses	5.2	3.2
– Adjustment for prior periods	0.2	4.4
Income tax expense	**(26.7)**	**(13.8)**

(c) Net income tax payable

	2018 $M	2017 $M
Net balance at the beginning of the year	(15.1)	(15.1)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	26.1	13.8
– Net income tax expense on current year's profit	(22.5)	(18.2)
– Adjustment for prior periods	0.2	4.4
– Other	(0.7)	–
Net balance at the end of the year	**(12.0)**	**(15.1)**
Current tax receivables	2.5	0.2
Current tax payables	(14.5)	(15.3)
	(12.0)	**(15.1)**

(d) Deferred tax assets and liabilities

Deferred tax assets of $0.2 million (2017: $nil) arising from tax losses and deferred tax liabilities of $4.7 million (2017: $0.1 million) arising from other receivables were recognised in the consolidated statement of financial position.

Results for the year continued

5. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $222.1 million (2017: $29.1 million) which has been dealt with in the financial statements of the Company.

OPERATING ASSETS AND LIABILITIES

6. PROPERTY ASSETS

(a) Types of property assets

Investment in property assets includes both inventories and investment properties (including those under development), which may be held either directly or through investments in managed partnerships.

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of business. Where property developments are forecast to be completed and sold more than 12 months after the reporting date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes.

Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Changes in the fair value of investment properties are recognised directly in profit or loss.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial statements.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classified as being under development and would be completed properties that are leased or are available for lease to customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to consider whether they reflect their fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(b) Summary of the Consolidated Entity's investment in property assets

	Note	2018 $M	2017 $M
Directly held property:			
Inventories			
Current		172.2	127.1
Non-current		196.0	188.3
	6(d)	**368.2**	**315.4**
Investment properties			
Investment properties under development	6(e)	–	22.5
		–	**22.5**
Property held by managed partnerships:			
Investments accounted for using the equity method – JVs	6(f)	907.2	651.4
		907.2	**651.4**

(c) Estimates and assumptions in determining property carrying values

Inventories

For both inventories held directly and inventories held in managed partnerships, external valuations are not performed but instead valuations are determined using the feasibility studies supporting the land and property developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market. Where the feasibility study calculations indicate that the forecast cost of a completed development will exceed the net realisable value, then the inventories are impaired.

Stabilised investment properties

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in managed partnerships.

Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Recent and relevant sales evidence and other market data are taken into account. Valuations are either based on an external, independent valuation or on an internal valuation.

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:

+ function of the asset (distribution/warehouse or suburban office);
+ location of the asset (city, suburb or regional area);
+ carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
+ categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure, and/or there has been a change in use (or zoning) of the asset and/or it has been three years since the previous external, independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

Where a market segment is observed to be inactive, then no external, independent valuations are performed and internal valuations are undertaken based on discounted cash flow (DCF) calculations. The DCF calculations are prepared over a 10 year period. The key inputs considered for each individual calculation are rental growth rates, discount rates, market rental rates and letting up incentives. Discount rates are computed using the 10 year bond rate or equivalent in each jurisdiction plus increments to reflect country risk, tenant credit risk and industry risk. Where possible, the components of the discount rate are benchmarked to available market data.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(c) Estimates and assumptions in determining property carrying values continued

Market assessment

At 30 June 2018, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. Overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are set out in the table below:

	Total portfolio weighted average capitalisation rate	
Division	2018 %	2017 %
Asia	6.1	6.3
Continental Europe	5.1	5.4
United Kingdom	4.7	5.3

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

(d) Inventories

	2018 $M	2017 $M
Current		
Land and development properties	172.2	127.1
	172.2	**127.1**
Non-current		
Land and development properties	196.0	188.3
	196.0	**188.3**

No impairment losses on land and development properties was recognised in the current and comparative financial years.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	2018 $M	2017 $M
Carrying amount at the beginning of the year	22.5	45.2
Capital expenditure	0.1	2.4
Carrying value of properties sold	–	(24.5)
Transfers to inventories	(23.5)	–
Effect of foreign currency translation	0.9	(0.6)
Carrying amount at the end of the year	–	**22.5**
Analysed as:		
Investment properties under development	–	22.5
	–	**22.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method

The Consolidated Entity's principal managed partnerships are set out below:

		Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment	2018 $M	2017 $M	2018 %	2017 %	2018 $M	2017 $M
Property investment							
Goodman China Logistics Partnership ("GCLP")	Cayman Islands	58.5	40.2	20.0	20.0	545.8	447.6
KWASA Goodman Germany ("KGG")	Luxembourg	16.4	6.0	19.7	23.8	121.8	89.2
Goodman UK Partnership ("GUKP")	United Kingdom	12.6	3.1	33.3	33.3	109.4	48.2
Property development							
Goodman Japan Development Partnership ("GJDP")	Japan	17.5	37.4	50.0	46.0	125.1	60.9
Other JVs		(1.0)	–			5.1	5.5
		104.0	86.7			907.2	651.4

GJDP undertakes property development activities, with completed developments sold at, or shortly after, completion depending on leasing status. The Consolidated Entity's other partnerships have a long-term remit to hold investment properties to earn rental income and for capital appreciation, although they will undertake developments when an appropriate opportunity arises.

The reconciliation of the carrying value at the beginning to the carrying value at the end of the year is set out as follows:

Movements in carrying amount of investments in JVs	2018 $M	2017 $M
Carrying amount at the beginning of the year	651.4	629.5
Share of net results after tax (before fair value adjustments)	51.6	61.7
Share of fair value adjustments	52.4	25.0
Share of net results after tax	104.0	86.7
Share of movements in reserves	26.6	(15.4)
Acquisitions	182.8	72.8
Capital return	(60.5)	(48.9)
Disposals	–	(3.4)
Dividends/distributions received and receivable	(34.5)	(46.0)
Effect of foreign currency translation	37.4	(23.9)
Carrying amount at the end of the year	**907.2**	**651.4**

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method

Summary financial information of JVs

The following table summarises the financial information of the material managed partnerships as included in their own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Consolidated Entity's interest in the JVs.

	GCLP		KGG		GUKP		GJDP	
	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	191.3	150.4	57.9	29.4	3.5	4.0	93.0	24.3
Other current assets	23.4	26.6	2.9	1.6	3.3	1.7	28.6	35.7
Total current assets	**214.7**	**177.0**	**60.8**	**31.0**	**6.8**	**5.7**	**121.6**	**60.0**
Total non-current assets	**3,326.6**	**2,752.8**	**1,156.5**	**692.6**	**325.1**	**142.7**	**413.7**	**250.9**
Current liabilities								
Other current liabilities	1,962.1	1,863.9	49.9	15.3	4.8	4.9	3.0	0.9
Total current liabilities	**1,962.1**	**1,863.9**	**49.9**	**15.3**	**4.8**	**4.9**	**3.0**	**0.9**
Non-current liabilities								
Financial liabilities (excluding trade payables and other provisions)	428.2	394.0	514.6	310.0	–	–	280.4	178.6
Other non-current liabilities	215.7	152.7	33.8	23.4	–	–	3.1	1.7
Total non-current liabilities	**643.9**	**546.7**	**548.4**	**333.4**	**–**	**–**	**283.5**	**180.3**
Net assets (100%)	**935.3**	**519.2**	**619.0**	**374.9**	**327.1**	**143.5**	**248.8**	**129.7**
Consolidated ownership interest (%)	20.0	20.0	19.7	23.8	33.3	33.3	50.0	46.0
Consolidated share of net assets	187.1	103.8	121.8	89.2	109.0	47.8	124.4	59.7
Shareholder loans[1]	355.6	341.4	–	–	–	–	–	–
Other items, including acquisition costs	3.1	2.4	–	–	0.4	0.4	0.7	1.2
Carrying amount of interest in JV	**545.8**	**447.6**	**121.8**	**89.2**	**109.4**	**48.2**	**125.1**	**60.9**
Summarised statement of comprehensive income								
Revenue	130.3	109.9	97.2	38.2	9.3	5.0	38.0	104.3
Depreciation and amortisation	–	–	–	–	–	(0.2)	–	–
Interest expense	(22.2)	(15.6)	(6.9)	(6.4)	–	–	(0.1)	–
Income tax expense	(26.8)	(9.0)	(17.2)	(4.4)	–	–	(3.0)	(13.7)
Profit and total comprehensive income (100%)	425.4	201.5	73.1	27.4	37.9	9.4	34.9	90.0
Consolidated share of profit and total comprehensive income	**85.1**	**40.2**	**16.4**	**6.0**	**12.6**	**3.1**	**17.5**	**37.4**
Dividends/distributions received and receivable by the Consolidated Entity	**8.8**	**3.4**	**6.2**	**5.2**	**–**	**–**	**19.4**	**37.4**

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the directors consider the loans to form part of the Consolidated Entity's investment in GCLP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Operating assets and liabilities continued

7. RECEIVABLES

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Loans and receivables comprise trade and other receivables, amounts due from related parties and loans to related parties.

Amounts recoverable on development contracts

Amounts recoverable on development contracts arise when the Consolidated Entity contracts to sell a completed development asset either prior to or during the development phase. The receivables are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less amounts already billed.

Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except inventories, refer to note 6(d); investment properties, refer to note 6(e); and deferred tax assets, refer to note 4) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in profit or loss in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the financial asset is written down to the present value of the estimated future cash flows discounted at the original effective interest rate. The impairment is recognised in profit or loss in the reporting period in which it occurs.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows are discounted to their present value.

	Note	2018 $M	2017 $M
Current			
Trade receivables		45.5	29.2
Other receivables		71.3	49.1
Amounts due from related parties		102.1	41.9
Loans to related parties	18(c)	365.5	110.5
Amounts recoverable on development contracts		75.2	284.5
		659.6	**515.2**
Non-current			
Loans to related parties	18(c)	57.5	26.6
		57.5	**26.6**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the reporting date. There is no material difference between the carrying values and the fair values of receivables.

Operating assets and liabilities continued

7. RECEIVABLES CONTINUED

Trade receivables

No trade receivables were impaired at 30 June 2018 and 2017. There are no significant overdue trade receivables at 30 June 2018.

Other receivables

At 30 June 2018, none of the other receivables balance was overdue or impaired (2017: $nil).

Amounts due from related parties

At 30 June 2018, none of the amounts due from related parties was overdue or impaired (2017: $nil). Amounts due from related parties are typically repayable within 30 days. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and GIT and loans to JVs. Refer to note 18(c) for details of loans to related parties. During the year, no impairment losses were recognised on loans to related parties (2017: reversal of impairment loss of $0.2 million). The loans to related parties are unsecured.

Amounts recoverable on development contracts

At 30 June 2018, amounts recoverable on development contracts included costs incurred and recognised profits (less recognised losses) to date of $75.2 million (2017: $286.1 million).

At 30 June 2018 and 2017, there were no retentions relating to ongoing developments that have been included in amounts recoverable on development contracts.

8. PAYABLES

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Entity has classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and loans from related parties (refer to note 18(c)).

	Note	2018 $M	2017 $M
Current			
Trade payables		38.1	27.4
Other payables and accruals		68.7	48.6
Loans from related parties	18(c)	798.1	795.8
		904.9	**871.8**
Non-current			
Other payables and accruals		48.4	15.0
Loans from related parties	18(c)	98.9	56.5
		147.3	**71.5**

CAPITAL MANAGEMENT

9. FINANCE INCOME AND EXPENSE

Finance income

Interest is recognised on an accruals basis using the effective interest rate method, and, if not received at the reporting date, is reflected in the statement of financial position as a receivable.

Finance expense

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective interest rate basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

	Note	2018 $M	2017 $M
Finance income			
Interest income on loans to:			
– Related parties	18(c)	2.8	0.8
– Other parties		0.3	0.2
		3.1	**1.0**
Finance expense			
Interest expense on loans from related parties	18(c)	(30.5)	(45.4)
Other borrowing costs		(0.4)	(0.3)
Foreign exchange loss		–	(0.3)
Capitalised borrowing costs		6.5	12.8
		(24.4)	**(33.2)**
Net finance expense		**(21.3)**	**(32.2)**

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 0.9% and 5.9% per annum (2017: 1.2% and 6.6% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

10. OTHER FINANCIAL ASSETS

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the other categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as other comprehensive income and presented in the asset revaluation reserve in equity. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available for sale financial assets comprise investments in equity securities.

Impairment

Available for sale financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to its fair value.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Reversals of impairment

Impairment losses recognised in profit or loss in for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

	2018 $M	2017 $M
Available for sale equity securities		
Investment in unlisted securities, at fair value[1]	21.5	20.5
	21.5	**20.5**

1. Principally relates to the Consolidated Entity's 10% (2017: 10.0%) interest in Goodman Japan Limited. During the year, no gains or losses on investment in unlisted securities were recognised in other comprehensive income (2017: gain of $5.7 million). Refer to note 11(d) for assumptions made in measuring fair value of the unlisted securities.

11. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's capital management and financial risk management processes are managed as part of the wider Goodman Group. There are established policies, documented in Goodman Group's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

The Goodman Group Investment Committee is the primary forum where strategic capital and financial management requirements are discussed and decisions made in accordance with the FRM policy. The Goodman Group Investment Committee meets at least every week during the financial year.

Financial risk management

The Consolidated Entity's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in Hong Kong, Japan, China, Continental Europe and the United Kingdom. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of future commercial transactions, recognised assets and liabilities and, principally, net investments in foreign operations.

Goodman Group manages foreign currency exposure on a consolidated basis. In managing foreign currency risks, Goodman Group aims to reduce the impact of short-term fluctuations on earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

Goodman Group's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps.

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Exposure to currency risk

The following table details the Consolidated Entity's exposure at the end of the year to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Australian dollars, translated using the spot rate at the year end date.

	Note	Exposure to foreign currencies (expressed in Australian dollars) HKD $M	USD $M	EUR $M	GBP $M	JPY $M
As at 30 June 2018						
Receivables	7	37.9	61.0	618.0	–	0.2
Cash	14(a)	53.9	48.4	8.4	0.4	4.4
Payables	8	(6.0)	(461.1)	(448.1)	(53.6)	(38.6)
		85.8	**(351.7)**	**178.3**	**(53.2)**	**(34.0)**
As at 30 June 2017						
Receivables	7	8.6	46.0	487.0	–	0.2
Cash	14(a)	16.1	37.8	4.5	41.3	8.2
Payables	8	(3.6)	(502.9)	(373.7)	(31.0)	(19.3)
		21.1	**(419.1)**	**117.8**	**10.3**	**(10.9)**

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2017: 5%) stronger against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have decreased by $17.4 million (2017: $13.4 million). If the Australian dollar had been 5% (2017: 5%) weaker against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have increased by $17.4 million (2017: $13.4 million).

Interest rate risk

The Consolidated Entity's interest rate risk primarily arises from variable rate borrowings with related parties.

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings at 30 June 2018, if interest rates on borrowings had been 100 basis points per annum (2017: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders for the financial year would have been $5.4 million lower/higher (2017: $7.5 million lower/higher).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties in Goodman Group.

The contractual maturities of financial liabilities are set out below:

	Carrying amount $M	Contractual cash flows $M	Up to 12 months $M	1–2 year(s) $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2018								
Trade and other payables	155.2	155.2	106.8	48.4	–	–	–	–
Loans from related parties	897.0	919.2	801.2	3.4	3.5	3.6	42.3	65.2
Total	**1,052.2**	**1,074.4**	**908.0**	**51.8**	**3.5**	**3.6**	**42.3**	**65.2**
As at 30 June 2017								
Trade and other payables	91.0	91.0	76.0	15.0	–	–	–	–
Loans from related parties	852.3	871.8	798.0	2.3	2.4	2.5	2.6	64.0
Total	**943.3**	**962.8**	**874.0**	**17.3**	**2.4**	**2.5**	**2.6**	**64.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to note 7).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk.

In relation to material bank deposits, the Consolidated Entity minimises credit risk by dealing with major financial institutions. The counterparty must have a stable, long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

From time to time, the Consolidated Entity also makes loans to JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

(d) Fair values of financial instruments

Except for investments in unlisted securities which are carried at fair value, the Consolidated Entity's financial instruments are carried at cost or amortised cost. The carrying amounts of the Consolidated Entity's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2018 and 2017.

(i) Valuation techniques and significant unobservable inputs

The fair value measurement for available for sale equity securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities – Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows expected to be generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate	+ Assets under management of $3.6 billion in year five + Average annual development of 96,000 sqm + Five year terminal value growth rate of 1.22% + Risk adjusted discount rate of 7.28% per annum	The estimated fair value would increase/(decrease) if: + the level of development activity, assets under management and terminal value growth rate were higher/(lower) + the risk adjusted discount rate were lower/(higher)

(ii) Reconciliation of Level 3 fair values

	2018 $M	2017 $M
Carrying amount at the beginning of the year	20.5	16.6
Net change in fair value – included in other comprehensive income	–	5.7
Effect of foreign currency translation	1.0	(1.8)
Carrying amount at the end of the year	**21.5**	**20.5**

12. DIVIDENDS

During the financial year, the Company declared a final dividend of 5.0 cents per share amounting to $90.0 million. The dividend is payable out of FY18 profit after tax. In the prior year, the Company declared and paid a final dividend of 1.0 cent per share amounting to $17.8 million out of FY16 profit after tax.

Capital management continued

13. SHARE CAPITAL

(a) Ordinary shares

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to issues of ordinary shares and options are recognised as a deduction from equity, net of any tax effects.

	2018 Number of shares	2017 Number of shares	2018 $M	2017 $M
Share capital	1,800,763,877	1,789,121,143	675.2	661.7
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			**674.6**	**661.1**

Details	Number of shares	Share capital $M
Ordinary shares, issued and fully paid		
Balance at 1 July 2016	1,778,318,630	651.4
Shares issued to employees of Goodman Group[1]	10,802,513	10.3
Balance at 30 June 2017	**1,789,121,143**	**661.7**
Shares issued to employees of Goodman Group[1]	11,642,734	13.5
Balance at 30 June 2018	**1,800,763,877**	**675.2**

1. During the year, the Company issued 11,642,734 (2017: 10,802,513) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan ("LTIP") and Goodman Group Tax Exempt Plan.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Equity settled share based payment transactions

Share based payment transactions

Goodman Group provides equity based remuneration through the issue of stapled securities under the LTIP. The fair value of rights and options over stapled securities, granted to employees of the Consolidated Entity by Goodman Group at the grant date is recognised as a share based payment expense in the results of the Consolidated Entity with a corresponding increase in equity. The share based payment expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of rights or options for which the related service and non-market vesting conditions are expected to be met. The fair values of rights and options are measured at the grant date using a combination of Monte Carlo simulations and Black Scholes pricing models.

Details of the LTIP are set out below.

LTIP

The LTIP provides for the issue of performance rights to employees. Each performance right issued under the LTIP entitles an employee to acquire a Goodman Group stapled security for nil consideration subject to the vesting conditions having been satisfied.

Under the terms of the LTIP and decisions made by the directors of Goodman Group in accordance with the plan, the issues of performance rights on 30 September 2017 and 16 November 2017 to employees and directors respectively were subject to the following broad terms:

+ the exercise of 25% of the total performance rights will be conditional on Goodman Group achieving a total securityholder return (TSR) in excess of that achieved by 50% of listed entities in the S&P/ASX100 index and the exercise of 75% of the total performance rights will be conditional on Goodman Group achieving an operating earnings per share (EPS) outcome at least at the target level notified to the market over a three year 'testing period' which ends on 30 June 2020 and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that Goodman Group achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent Goodman Group exceeds the 51st percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76th percentile under the grants made pursuant to the rules and disclosed to the market;
+ performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances); and
+ performance rights issued during the year vest in three equal tranches on 1 September 2020, 1 September 2021 and 1 September 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Capital management continued

13. SHARE CAPITAL CONTINUED

(b) Equity settled share based payments transactions continued

LTIP continued

Share based payment expense included in profit or loss was as follows:

	2018 $M	2017 $M
Share based payment expense:		
– Equity settled	13.7	13.7
– Cash settled	14.7	9.0
	28.4	**22.7**

At 30 June 2018, a liability of $22.1 million (2017: $11.8 million) was recognised in relation to cash settled performance rights.

The movement in the number of equity settled and cash settled Goodman Group performance rights is as follows:

	Number of rights	
	2018	2017
Outstanding at the beginning of the year	18,967,105	14,719,311
Issued	6,848,150	6,615,850
Transferred from other Goodman Group entities	–	1,862,098
Vested	(3,418,555)	(2,702,106)
Forfeited	(1,762,741)	(1,528,048)
Outstanding at the end of the year	**20,633,959**	**18,967,105**
Exercisable at the end of the year	**–**	**–**

The model inputs for Goodman Group performance rights awarded during the current financial year included the following:

	Rights issued on 16 Nov 17	Rights issued on 30 Sep 17
Fair value at measurement date ($)	6.70	6.41
Security price ($)	8.65	8.24
Exercise price ($)	–	–
Expected volatility (%)	14.88	19.49
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	3.93	3.85
Average risk free rate of interest per annum (%)	2.22	2.43

The fair value of services received in return for performance rights granted under Goodman Group's LTIP is measured by reference to the fair value of the performance rights granted. The fair value of the performance rights was measured as follows:

+ relative TSR tranche: these rights have been valued using a Monte Carlo model which simulated total returns for each of the S&P/ASX100 stocks and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance; and
+ operating EPS tranche: these rights have been valued as a granted call option, using the standard Black Scholes model with a continuous dividend yield.

OTHER ITEMS

14. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(a) Reconciliation of cash

Cash as at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	2018 $M	2017 $M
Cash assets	**115.5**	**107.9**

(b) Reconciliation of profit for the year to net cash provided by operating activities

	2018 $M	2017 $M
Profit for the year	**267.9**	**221.4**
Items classified as investing activities		
Net loss on disposal of investment properties	–	0.9
Net gain on disposal of equity accounted investments	(0.7)	–
Non-cash items		
Depreciation of plant and equipment	2.5	2.4
Share based payments expense	28.4	22.7
Impairment reversals	–	(0.2)
Share of net results of equity accounted investments	(104.0)	(86.7)
Net finance expense	21.3	32.2
Income tax expense	26.7	13.8
	242.1	**206.5**
Changes in assets and liabilities during the year:		
– Decrease/(increase) in receivables	158.5	(150.4)
– (Increase)/decrease in inventories	(29.5)	46.3
– Increase in other assets	(6.7)	(6.0)
– Increase/(decrease) in payables	44.4	(16.2)
– Increase/(decrease) in provisions (including employee benefits)	4.1	(2.6)
	412.9	**77.6**
Dividends/distributions received from equity accounted investments	34.5	46.0
Net finance costs received/(paid)	0.4	(1.4)
Net income taxes paid	(26.1)	(13.8)
Net cash provided by operating activities	**421.7**	**108.4**

(c) Reconciliation of liabilities arising from financing activities

	Dividends payable $M	Loans to/ (from) related parties $M
Balance at 1 July 2017	**–**	**(715.2)**
Changes from financing cash flows		
Net repayment of loans with related parties	–	288.8
Total changes from financing cash flows	**–**	**288.8**
Effect of foreign exchange movements	–	(24.8)
Other changes		
Issue of shares	–	13.5
Equity settled share based payments	–	(8.6)
Interest income	–	2.8
Interest expense	–	(30.5)
Dividends declared	(90.0)	–
Total other changes	**(90.0)**	**(22.8)**
Balance at 30 June 2018	**(90.0)**	**(474.0)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

15. RESERVES

	Note	Consolidated 2018 $M	Consolidated 2017 $M	Company 2018 $M	Company 2017 $M
Asset revaluation reserve	15(a)	11.2	11.2	11.2	11.2
Foreign currency translation reserve	15(b)	46.3	(37.7)	–	–
Employee compensation reserve	15(c)	21.0	15.9	21.0	15.9
Common control reserve[1]	15(d)	(538.1)	(538.1)	–	–
Total reserves		**(459.6)**	**(548.7)**	**32.2**	**27.1**

1. The common control reserve arises from the acquisition of entities from other members of Goodman Group under the pooling of interest method. The amount in the common control reserve reflects the difference between the consideration paid and the carrying values of the assets and liabilities of the "acquired" entity at the date of acquisition.

The movements in reserves of the Consolidated Entity and the Company are analysed below:

	Consolidated 2018 $M	Consolidated 2017 $M	Company 2018 $M	Company 2017 $M
(a) Asset revaluation reserve				
Balance at the beginning of the year	11.2	5.5	11.2	5.5
Increase due to revaluation of other financial assets	–	5.7	–	5.7
Balance at the end of the year	**11.2**	**11.2**	**11.2**	**11.2**
(b) Foreign currency translation reserve				
Balance at the beginning of the year	(37.7)	(4.6)	–	–
Net exchange differences on conversion of foreign operations	84.0	(33.1)	–	–
Balance at the end of the year	**46.3**	**(37.7)**	**–**	**–**
(c) Employee compensation reserve				
Balance at the beginning of the year	15.9	11.1	15.9	11.1
Equity settled share based payment transactions	5.1	4.8	5.1	4.8
Balance at the end of the year	**21.0**	**15.9**	**21.0**	**15.9**
(d) Common control reserve				
Balance at the beginning of the year	(538.1)	(538.1)	–	–
Balance at the end of the year	**(538.1)**	**(538.1)**	**–**	**–**

16. RETAINED EARNINGS

	Note	Consolidated 2018 $M	Consolidated 2017 $M	Company 2018 $M	Company 2017 $M
Balance at the beginning of the year		554.0	355.8	97.6	86.3
Profit for the year		262.6	216.0	222.1	29.1
Dividends declared	12	(90.0)	(17.8)	(90.0)	(17.8)
Balance at the end of the year		**726.6**	**554.0**	**229.7**	**97.6**

17. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Consolidated Entity. The class of shares held is ordinary unless otherwise stated.

Significant controlled companies	Principal activities	Country of incorporation	Interest held 2018 %	Interest held 2017 %
Goodman Asia Limited	Investment and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman China Asset Management Limited	Investment management	Cayman Islands	100.0	100.0
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
GELF Management (Lux) Sàrl	Investment management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman UK Holdings (HK) Limited	Intermediate holding company	United Kingdom	100.0	100.0

Other items continued

18. RELATED PARTY TRANSACTIONS

Related parties

(i) A person, or a close member of that person's family, is related to the Company if that person:
  (1) has control or joint control over the Company;
  (2) has significant influence over the Company; or
  (3) is a member of the key management personnel of the Company or the Company's parent.

(ii) An entity is related to the Company if any of the following conditions applies:
  (1) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  (2) one entity is an associate or JV of the other entity (or an associate or JV of a member of a group of which the other entity is a member);
  (3) both entities are JVs of the same third party;
  (4) one entity is a JV of a third entity and the other entity is an associate of the third entity;
  (5) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  (6) the entity is controlled or jointly controlled by a person identified in (i);
  (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(a) Directors' remuneration

Directors' remuneration (including alternate directors) disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2018 $M	2017 $M
Directors' fees	0.7	0.8
Salaries, allowances and benefits in kind	1.7	1.5
Share based payments	6.9	7.5
	9.3	**9.8**

(b) Transactions and amounts due from related parties

	Management and development activities		Amounts due from related parties	
	2018 $M	2017 $M	2018 $M	2017 $M
JVs				
GCLP	54.4	75.2	29.6	–
KGG	140.2	237.9	–	–
	194.6	**313.1**	**29.6**	**–**
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	56.0	28.6	37.0	7.0
Goodman European Partnership	320.9	488.8	30.0	32.2
Other related parties	4.9	0.1	5.5	2.7
	381.8	**517.5**	**72.5**	**41.9**

Transactions with GL

During the year, the Consolidated Entity recognised transaction management fees of $22.6 million, which will be payable to a controlled entity of GL in 2020. Additionally, the Consolidated Entity acquired an additional 4.0% equity interest in GJDP from a controlled entity of GL for consideration of $3.1 million. In the comparative year, the Consolidated Entity acquired a 3.5% equity interest in GJDP from a controlled entity of GL for consideration of $2.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

Other items continued

18. RELATED PARTY TRANSACTIONS CONTINUED

(c) Financing arrangements with related parties

	Loans to related parties[1]		Loans from related parties[1]		Interest income/ (expense) charged on loans to/from related parties	
	2018 $M	2017 $M	2018 $M	2017 $M	2018 $M	2017 $M
JVs	40.5	13.0	–	–	0.3	0.2
GL, GIT and their controlled entities	361.3	107.2	(897.0)	(852.3)	(28.4)	(45.4)
Related parties of GL and GIT						
Goodman European Partnership	21.2	16.9	–	–	0.4	0.6
Related parties of GL and GIT	**21.2**	**16.9**	**–**	**–**	**0.4**	**0.6**
	423.0	137.1	(897.0)	(852.3)	(27.7)	(44.6)

1. Loans by the Consolidated Entity to/from JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2018, details in respect of the principal loan balances are set out below:
   + a shareholder loan of $21.2 million (2017: $16.9 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Partnership, and incurred interest at 6.9% per annum (2017: 6.9% per annum);
   + loans from GL, GIT and their controlled entities are interest bearing and amount to $897.0 million (2017: $852.3 million). $798.1 million of the loans is repayable on demand and $98.9 million is repayable greater than one year from the reporting date. The interest bearing loans incur floating interest at rates ranging from 0.9% to 5.9% per annum (2017: 1.7% to 6.8% per annum); and
   + loans to GIT and its subsidiaries amounting to $361.3 million (2017: $107.2 million) are interest bearing and repayable on demand. The interest bearing loans incur interest at rates ranging from 0.7% to 1.6% per annum (2017: 1.0% to 1.7% per annum).

19. COMMITMENTS

Non-cancellable lease commitments

	2018 $M	2017 $M
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	7.4	8.0
– One year or later and no later than five years	14.3	15.8
– Later than five years	0.4	–
	22.1	**23.8**
Future commitments in respect of development land leased by the Consolidated Entity and held as inventories. These amounts are not provided for in the financial statements and payable:		
– Within one year	1.8	1.3
– One year or later and no later than five years	11.0	7.4
– Later than five years	101.4	83.4
	114.2	**92.1**

At 30 June 2018, the Consolidated Entity was also committed to $191.6 million (2017: $253.5 million) expenditure in respect of inventories and other development activities.

20. CONTINGENCIES

Capitalisation Deed Poll

GLHK, GL, GIT and certain of their wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

Euro medium-term note programme

Under the Euro medium-term note programme, Goodman Australia Finance Pty Limited, a controlled entity of GIT, had on issue £121.0 million notes at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, and GLHK and GL had unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these notes. Subsequent to the year end, interest has been paid and the notes repaid in full.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market, controlled entities of GIT had on issue USD and EUR notes amounting to US$1,303.8 million and €500.0 million respectively. GL, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

Other items continued

21. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 $M	2017 $M
Current assets			
Cash		37.9	53.7
Receivables		226.0	85.6
Total current assets		**263.9**	**139.3**
Non-current assets			
Investments in subsidiaries		721.2	661.1
Other financial assets		140.5	42.4
Total non-current assets		**861.7**	**703.5**
Total assets		**1,125.6**	**842.8**
Current liabilities			
Payables		0.2	19.8
Dividends payable		90.0	–
Total current liabilities		**90.2**	**19.8**
Non-current liabilities			
Payables		98.9	37.2
Total non-current liabilities		**98.9**	**37.2**
Total liabilities		**189.1**	**57.0**
Net assets		**936.5**	**785.8**
Equity attributable to Shareholders			
Share capital		674.6	661.1
Reserves	15	32.2	27.1
Retained earnings	16	229.7	97.6
Total equity attributable to Shareholders		**936.5**	**785.8**

The company level statement of financial position was approved and authorised for issue by the board of directors on 17 August 2018.

Ian Douglas Ferrier, AM
Director

David Jeremy Collins
Director

22. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this financial report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

SECURITIES INFORMATION

Top 20 Securityholders As at 5 September 2018	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	690,868,171	38.09
2. J P Morgan Nominees Australia Limited	579,428,602	31.94
3. Citicorp Nominees Pty Limited	138,477,298	7.63
4. National Nominees Limited	77,355,758	4.26
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	52,717,350	2.91
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	31,787,417	1.75
7. BNP Paribas Noms Pty Ltd <DRP>	29,280,790	1.61
8. Beeside Pty Limited	16,923,077	0.93
9. Trison Investments Pty Ltd	14,870,973	0.82
10. AMP Life Limited	12,192,285	0.67
11. BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	5,287,500	0.29
12. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	4,265,873	0.24
13. Bond Street Custodians Limited <ENH Property Securities A/C>	4,047,618	0.22
14. Trison Investments Pty Ltd	3,750,000	0.21
15. HSBC Custody Nominees (Australia) Limited <A/C 2>	3,222,985	0.18
16. BNP Paribas Noms (NZ) LTD <DRP>	3,123,553	0.17
17. Australian Foundation Investment Company Limited	2,800,000	0.15
18. National Nominees Limited <N A/C>	2,425,000	0.13
19. DPCON BVBA	2,241,385	0.12
20. IOOF Investment Management Limited <IPS Super A/C>	1,774,558	0.10
Securities held by top 20 Securityholders	1,676,840,193	92.44
Balance of securities held	137,041,802	7.56
Total issued securities	**1,813,881,995**	**100.00**

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1–1,000	9,749	4,669,536	0.26
1,001–5,000	12,509	30,038,863	1.66
5,001–10,000	2,919	20,615,924	1.14
10,001–100,000	1,704	36,563,430	2.02
100,001–over	117	1,721,994,242	94.93
Rounding			0.01
Total	**26,998**	**1,813,881,995**	**100.00**

There were 616 Securityholders with less than a marketable parcel in relation to 4,015 securities as at 5 September 2018.

Substantial Securityholders[1]	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Blackrock Group	147,689,591
Vanguard Group Inc.	144,760,798

1. In accordance with latest Substantial Securityholder Notices as at 5 September 2018.

GOODMAN LOGISTICS (HK) LIMITED CHESS DEPOSITORY INTERESTS

ASX reserves the right (but without limiting its absolute discretion) to remove Goodman Logistics (HK) Limited, Goodman Limited and Goodman Industrial Trust from the official list of the ASX if a CHESS Depository Interest (CDI) referencing an ordinary share in Goodman Logistics (HK) Limited, a share in Goodman Limited or a unit in Goodman Industrial Trust cease to be stapled, or any new securities are issued by Goodman Logistics (HK) Limited, Goodman Limited or Goodman Industrial Trust and are not (or CDIs in respect of them are not) stapled to equivalent securities in the Goodman Group.

VOTING RIGHTS

On a show of hands at a general meeting of Goodman Limited or Goodman Industrial Trust, every person present who is an eligible Securityholder shall have one vote and on a poll, every person present who is an eligible Securityholder shall have one vote for each Goodman Limited share and one vote for each dollar value of Goodman Industrial Trust units that the eligible Securityholder holds or represents (as the case may be). At a general meeting of Goodman Logistics (HK) Limited, all resolutions will be determined by poll, and eligible Securityholders will be able to direct Chess Depositary Nominees Pty Limited to cast one vote for each Chess Depositary Instrument (referencing a Goodman Logistics (HK) Limited share) that the eligible Securityholder holds or represents (as the case may be).

ON-MARKET BUY-BACK

There is no current on-market buy-back.

GLOSSARY

AASB Australian Accounting Standards Board.

ABPP Arlington Business Parks Partnership, an unlisted property fund specialising in the investment of business parks in the United Kingdom.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EBIT Operating profit before net finance expense and income tax.

EPS Earnings per security.

GADP Goodman Australia Development Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAIP Goodman Australia Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAP Goodman Australia Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GBLP Goodman Brazil Logistics Partnership.

GCLP Goodman China Logistics Partnership Limited, an unlisted property investment vehicle specialising in the investment of industrial property in China.

GEP Goodman European Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Continental Europe.

GFML Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLP Goodman Hong Kong Logistics Fund, an unlisted property investment vehicle specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCP Goodman Japan Core Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership specialising in the development of industrial property in Japan.

GL Goodman Limited (ABN 69 000 123 071) and where the context requires, its controlled entities.

GMT Goodman Property Trust, a listed property trust on the NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership specialising in the investment of industrial property in North America.

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and where the context requires, its controlled entities.

Goodman Group or GMG Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

GMP Goodman PLUS.

KGIP KWASA-Goodman Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

KGG KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence ("AFSL") authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

S&P Standard & Poor's: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security.

Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres.

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share and a CDI in respect of a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a "stapled security".

Stapled Security or Security A GIT unit, a GL share and a CDI in respect of a GLHK share which are stapled so that they can only be traded together.

STI Short term incentive.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group's voting rights.

TSR Total securityholder return.

Unitholder A unitholder of GIT.

GOODMAN GROUP

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839
Responsible Entity of Goodman Industrial Trust
Goodman Funds Management Limited
ABN 48 067 796 641; AFSL Number 223621

Goodman Logistics (HK) Limited
Company No. 1700359; ARBN 155 911 149

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Beijing	Kraków	Prague
Birmingham	London	São Paulo
Brisbane	Los Angeles	Shanghai
Brussels	Luxembourg	Sydney
Budapest	Madrid	Tokyo
Chengdu	Melbourne	Warsaw
Düsseldorf	Milan	

DIRECTORS

Goodman Limited and Goodman Funds Management Limited

Mr Ian Ferrier AM	(Independent Chairman)
Mr Gregory Goodman	(Group Chief Executive Officer)
Mr Stephen Johns	(Independent Director)
Ms Rebecca McGrath	(Independent Director)
Mr Danny Peeters	(Executive Director)
Mr Phillip Pryke	(Independent Director)
Mr Anthony Rozic	(Executive Director)
Mr James Sloman, OAM	(Independent Director)
Ms Penny Winn	(Independent Director)

Company Secretary
Mr Carl Bicego

Goodman Logistics (HK) Limited

Mr Ian Ferrier AM	(Independent Chairman)
Mr David Collins	(Independent Director)
Mr Danny Peeters	(Executive Director)

Company Secretary
Goodman Secretarial Asia Limited

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ASX CODE

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Disclaimer