

APPENDIX 4D
GOODMAN GROUP
(comprising Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited)
RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half year ended 31 December 2018

The Appendix 4D should be read in conjunction with the annual report of Goodman Group for the year ended 30 June 2018. The information included in the Appendix 4D and the interim financial report for the half year ended 31 December 2018 comprises all the information required by ASX Listing Rule 4.2A.

Highlights of results	31 Dec 2018	31 Dec 2017	Change	
Operating profit (before specific non-cash and other significant items) attributable to Securityholders (\$M)	465.0	421.3	up	10.4%
Revenue and other income (\$M)	1,796.0	1,316.3	up	36.4%
Profit (statutory) attributable to Securityholders (\$M)	929.2	542.7	up	71.2%
Diluted operating profit per security (cents)	25.5	23.3	up	9.4%
Interim distribution per GMG security (cents)	15.00	13.75	up	9.1%
Interim distribution (\$M)	272.1	247.6	up	9.9%
Franked amount per security/share (cents)	-	-	-	-
Conduit foreign income	-	-	-	-
Record date for determining entitlements to the distributions	31 Dec 2018	29 Dec 2017		
Date interim distribution is payable	26 Feb 2019	26 Feb 2018		
Distribution reinvestment plan				
Goodman Group's Distribution Reinvestment Plan (DRP) remains suspended.				
Total assets under management (\$B)	42.9	34.6	up	24.0%
External assets under management (\$B)	39.6	31.1	up	27.3%
Total assets (\$M)	14,235.0	12,872.3	up	10.6%
Total liabilities (\$M)	4,227.9	4,200.0	up	0.7%
Net assets (\$M)	10,007.1	8,672.3	up	15.4%
Net tangible assets per security/share (cents)	505.3	437.5	up	15.5%
Total borrowings to net assets ratio (%)	29.6	36.1	down	(18.1%)
Gearing (%)	6.5	6.4	up	1.6%
Contributed equity (\$M)	8,031.7	8,031.7	-	-
Security price (\$)	10.63	8.42	up	26.2%
Number of securities on issue on the ASX (M)	1,813.9	1,800.8	up	0.7%
Market capitalisation (\$M)	19,281.6	15,162.4	up	27.2%
Number of Securityholders	26,835	25,183	up	6.6%

Controlled entities acquired or disposed

There were no material acquisitions or disposals of controlled entities during the half year.

Associates and joint venture entities

Goodman's Group's associates are set out in note 6 to the interim financial statements.

Goodman Group's joint ventures and its percentage holding in these joint ventures are set out below:

- BGMG1 Oakdale West Trust (50%)
- BGMG2 Rochedale North Trust (50%)
- Euston Road Subtrust No.2 Trust (50%)
- FSX Czech s.r.o (50%)
- Goodman Australia Development Partnership (20%)
- Goodman Bondi Logistics Netherlands (50%)
- Goodman Blue Logistics (Hungary) Kft (50%)
- Goodman Brazil Logistics Partnership (15%)
- Goodman Can Estella Logistics Spain (50%)
- Goodman Ceramic Logistics (Lux) Sàrl (50%)
- Goodman China Logistics Partnership (20%)
- Goodman Delta Logistics (Poland) (50%)
- Goodman Doris Logistics Netherlands (50%)
- Goodman European Partnership Bonneuil Logistics (France) SCI (50%)
- Goodman Japan Development Partnership (50%)
- Goodman Lazulite Logistics (Lux) Sàrl (50%)
- Goodman Mantis Logistics (Lux) Sàrl (50%)
- Goodman North America Partnership (55%)
- Goodman Odysse Logistics (Lux) Sàrl (50%)
- Goodman Persiphone Logistics Poland (50%)
- Goodman Princeton Partnership (Jersey) Ltd (20%)
- Goodman Purple Logistics (Poland) (50%)
- Goodman Serpentine Logistics (Lux) Sàrl (50%)
- Goodman Sunglow Logistics (Lux) Sàrl (50%)
- Goodman UK Partnership L.P (33.3%)
- Loreto Investments, S.L. (50%)
- Metropol Development s.r.o. (50%)
- KWASA Goodman Germany (19.3%)
- KWASA Goodman Industrial Partnership (40%)
- Pochin Goodman (Northern Gateway) Ltd (50%)
- South East Asia Joint Venture (50%)

Goodman Group
Consolidated interim financial report
for the half year ended 31 December 2018

Contents	Page
Directors' report	2
Lead auditor's independence declaration	10
Consolidated interim statement of financial position	11
Consolidated interim income statement	12
Consolidated interim statement of comprehensive income	13
Consolidated interim statement of changes in equity	14
Consolidated interim cash flow statement	16
Notes to the interim financial statements	
Basis of preparation	
1 Basis of preparation	17
Results for the half year	
2 Profit before income tax	21
3 Profit per security/Company share	22
4 Segment reporting	23
Operating assets	
5 Receivables	26
6 Property assets	26
7 Intangible assets	33
Capital management	
8 Net finance expense	34
9 Interest bearing liabilities	34
10 Financial instruments	37
11 Dividends and distributions	39
12 Issued capital	39
Other items	
13 Equity attributable to Goodman Limited and non-controlling interests	40
14 Commitments	42
15 Related parties	43
16 Events subsequent to balance date	43
Directors' declaration	44
Independent auditor's review report	45
Appendix A – Goodman Logistics (HK) Limited interim financial report for the half year ended 31 December 2018	A1

**Goodman Group
Directors' report
for the half year ended 31 December 2018**

The directors (Directors) of Goodman Limited (ABN 69 000 123 071) (Company or GL) and Goodman Funds Management Limited (GFML), the responsible entity for Goodman Industrial Trust (ARSN 091 213 839) (Trust), present their Directors' report together with the consolidated interim 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 half year ended 31 December 2018 (half year or HY19) and the review report thereon.

Shares in the Company, units in the Trust and CHESS Depository 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 Securities Exchange.

As permitted by the relief provided in Australian Securities & Investments Commission (ASIC) Instrument 18-0353, the accompanying consolidated interim financial statements present both the interim financial statements and accompanying notes of Goodman and GIT. GLHK, which was incorporated and is 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 included as adjacent columns in the consolidated interim financial statements. The consolidated interim financial statements of GLHK have been included as an appendix to this report.

Preparation of the interim consolidated financial report of Goodman Industrial Trust

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

Rounding

Goodman and GIT are entities of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. In accordance with that Instrument, amounts in this Directors' report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Directors

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

Directors

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, 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)

Retired 15 November 2018

Ms Penny Winn (Independent Director)

Company Secretary

The Company Secretary at any time during, or since the end of, the half year was Mr Carl Bicego.

Dividends and distributions

No dividends were declared by the Company during the half year (HY18: \$nil).

An interim distribution in respect of HY19 of 15.0 cents per security, amounting to \$272.1 million (HY18: \$247.6 million) was determined by GIT during the half year. This interim distribution will be paid on 26 February 2019.

No dividends were declared by GLHK during the half year (HY18: \$nil).

Goodman Group
Directors' report
for the half year ended 31 December 2018

Operating and financial review

Financial highlights

	2018	2017	Change %
Revenue and other income before fair value adjustments on investment properties (\$M)	1,184.3	960.3	23.3%
Fair value adjustments on investment properties including share of adjustments for associates and joint ventures (JVs) (\$M)	611.7	356.0	71.8%
Revenue and other income (\$M)	1,796.0	1,316.3	36.4%
Profit attributable to Securityholders (\$M)	929.2	542.7	71.2%
Total comprehensive income attributable to Securityholders (\$M)	1,057.5	583.3	81.3%
Operating profit (\$M)	465.0	421.3	10.4%
Basic profit per security (¢)	51.3	30.2	69.9%
Operating profit per security (operating EPS) (¢) ¹	25.5	23.3	9.4%
Dividends/distributions in relation to the half year (\$M)	272.1	247.6	9.9%
Dividends/distributions per security in relation to the half year (¢)	15.0	13.8	9.1%
Weighted average number of securities on issue (M)	1,809.5	1,796.9	0.7%
	31 Dec	30 Jun	
	2018	2018	Change %
Total equity attributable to Securityholders (\$M)	10,007.1	9,173.7	9.1%
Number of securities on issue (M)	1,813.9	1,800.8	0.7%
Net tangible assets per security (\$)	5.05	4.64	8.8%
Net assets per security (\$)	5.52	5.09	8.4%
External assets under management (\$B)	39.6	35.1	12.8%
Total assets under management (\$B)	42.9	38.3	12.0%
Development work in progress (\$B) ²	3.6	3.6	0.0%
Gearing (%) ³	6.5	5.1	
Interest cover ⁴ (times)	17.4	16.2	
Liquidity (\$B)	3.1	3.4	
Weighted average debt maturity (years)	6.9	6.9	

- Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during HY19, 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.

- Development work in progress is the end value of ongoing developments across Goodman and its managed partnerships.
- Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of certain derivative financial instruments included in other financial assets of \$204.4 million (30 June 2018: \$154.3 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$81.1 million (30 June 2018: \$31.9 million).
- Interest cover is operating profit before net finance expense (operating) and income tax (operating) divided by adjusted net finance expense (operating). Adjusted net finance expense excludes capitalised borrowing costs.

**Goodman Group
Directors' report
for the half year ended 31 December 2018**

Operating and financial review (cont)

Overview

Goodman achieved an operating profit of \$465.0 million for HY19, a 10.4% increase on HY18, which equated to an operating EPS of 25.5 cents, up 9.4% on HY18. Dividends and distributions relating to the HY19 performance increased to 15.0 cents per security, up 9.1% on HY18.

Goodman is benefiting from having a quality portfolio in locations close to key urban centres, where the vast majority of its customers prefer to be. As a consequence, there has been consistently high occupancy, increased rental growth, strong demand for new product and higher property valuations during the half year. Given the strong structural and macro trends, the level of development activity has been maintained (work in progress at 31 December 2018 was \$3.6 billion) and with the portfolio repositioning programme being largely complete over the prior three years, total assets under management (AUM) increased strongly during in half year to A\$42.9 billion at 31 December 2018.

These factors are reflected in the results for HY19, with property investment earnings from partnerships, management earnings and development earnings each showing growth compared to the HY18 and property valuation gains, including the contribution from the developments being undertaken in the managed partnerships, lifting the statutory profit for HY19 to \$929.2 million.

The Group maintained its prudent capital management policy across the platform, including the managed partnerships, and at 31 December 2018, Goodman's gearing was 6.5%. Cash and available facilities were \$3.1 billion and the weighted average debt maturity, including undrawn facilities, was 6.9 years. During HY19, the Group repaid the remainder of the GBP notes at their scheduled maturity date.

Analysis of performance

Goodman's key operating regions are Australia and New Zealand (reported on a combined basis), Asia (which consists of Greater China and Japan), Continental Europe, the 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. The key drivers of Goodman's property investment earnings are changes in the level of total AUM, changes in Goodman's percentage ownership of those assets held by the managed partnerships, occupancy and rental levels within the portfolio, and changes in financing arrangements within the managed partnerships.

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 management earnings are activity levels, asset performance, and changes in the level of AUM, which is impacted by property valuations, asset acquisitions and disposals, development expenditure and is also dependent on the continued availability of third party equity and debt to fund investments made by Goodman's managed partnerships.

Development earnings consist of development income, including development management fees, 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. With an increasing amount of developments undertaken in the managed partnerships, the level of activity is dependent on the availability of capital in the partnerships to provide necessary funding.

Goodman Group
Directors' report
for the half year ended 31 December 2018

Operating and financial review (cont)

Analysis of performance (cont)

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for HY19 are set out in the table below:

Note	2018 \$M	2017 \$M
Analysis of operating profit		
Property investment earnings	181.8	193.1
Management earnings	189.4	164.7
Development earnings	273.3	243.4
	644.5	601.2
Operating expenses	(132.1)	(128.4)
	512.4	472.8
Net finance expense (operating) ¹	(20.3)	(21.4)
Income tax expense (operating) ²	(27.1)	(25.5)
	465.0	425.9
Less: Attributable to other non-controlling interests	-	(4.6)
Operating profit	465.0	421.3
Adjustments for:		
Property valuation related movements		
- Net gain from fair value adjustments on investment properties	6(d) 100.8	60.0
- Share of fair value adjustments attributable to investment properties in associates and JVs after tax	6(e) 510.9	296.0
- Reversal of previous impairments	-	0.2
- Deferred tax on fair value adjustments on investment properties	(15.0)	(15.1)
	596.7	341.1
Fair value adjustments and unrealised foreign currency exchange movements related to liability management		
- Fair value adjustments on derivative financial instruments	8 (45.1)	(80.0)
- Share of fair value adjustments on derivative financial instruments in associates and JVs	6(e) 6.6	(11.1)
- Unrealised foreign exchange (losses)/gains	8 (11.2)	15.7
	(49.7)	(75.4)
Other non-cash adjustments or non-recurring items		
- Straight lining of rental income	(0.1)	0.4
- Share based payments expense	(77.1)	(60.4)
- Net capital losses not distributed and tax deferred adjustments	(5.6)	(2.2)
- Debt restructure expense	8 -	(82.1)
	(82.8)	(144.3)
Profit attributable to Securityholders	929.2	542.7

1. Net finance expense (operating) excludes derivative mark to market, unrealised foreign exchange movements and debt restructure expense.
2. Income tax expense (operating) excludes the deferred tax movements relating to investment property valuations.

Goodman Group
Directors' report
for the half year ended 31 December 2018

Operating and financial review (cont)

Analysis of performance (cont)

Property investment

Goodman's strategy to invest and develop in quality locations in major urban centres has assisted the Group's customers in improving their supply chain by investing in facilities close to their respective customers. It has resulted in sustained strong underlying demand which is driving rental growth and occupancy. This was a key contributor to the increase in the Group's share of property investment earnings from the partnerships during HY19, which increased to \$144.0 million (HY18: \$132.8 million). The other main contributor to this growth is the development activity in North America, where a number of properties have reached completion and are now earning rental income. The ongoing development activity, combined with asset revaluations and the positive impact from the currency translation of assets located overseas, resulted in total AUM increasing from \$38.3 billion to \$42.9 billion during HY19.

However, as a consequence of the disposals of directly held assets to external third parties and partnerships during FY18, total property investment earnings of \$181.8 million decreased by 5.9% compared to HY18. Property investment earnings comprised 28.2% of total operating earnings for HY19 (HY18: 32.1%). Overall occupancy rates in Goodman's portfolios remained strong at 98% and weighted average lease expiry was 4.7 years. Like for like net rental growth was 3.2% compared to HY18.

The supply constraints in Goodman's markets are expected to deliver strong underlying fundamentals for future growth in asset values and rental income. Furthermore, now that the Group's asset disposal programme has been mostly completed, the total AUM should increase as development activity across the portfolios is expected to continue. However, this will continue to be achieved in a prudent manner, with gearing in the managed partnerships expected to be at the lower end of long-term target ranges, assuming no significant change in the current market conditions. This further supports the sustainability of the property investment earnings stream.

Property valuations

The strong demand for industrial assets was maintained during HY19, putting further downward pressure on capitalisation rates, which combined with the underlying rental growth in the Goodman portfolios has resulted in valuation gains in most regions. Goodman's share of property valuation gains for HY19 was \$596.7 million (HY18: \$341.1 million), with the weighted average capitalisation rate tightening from 5.5% to 5.2%. The valuation gains from managed partnerships included uplifts from the completion of developments of \$114.9 million. This highlights the significant proportion of the Group's overall development activity that is now undertaken in the managed partnerships.

Management

The management division contributed operating earnings of \$189.4 million, an increase of 15.0% compared to HY18. This is due to the increase in external AUM, combined with strong investment returns driving performance fees and the impacts of foreign currency translation, with the Australian dollar weaker compared to HY18 against the currencies in most of the countries where the Group operates. Management earnings comprised 29.4% of total operating earnings for the half year (HY18: 27.4%).

Goodman's external AUM was \$39.6 billion, an increase of \$4.5 billion compared to 30 June 2018 and \$8.5 billion compared to 31 December 2017. The growth in external AUM was due to the property valuations over the past 12 months, substantial development activity and the favourable impact of currency translation on overseas assets. This was partly offset by asset disposals, most significantly in Continental Europe and New Zealand; however, the impact is much less now that the asset disposal programme is largely complete. The outlook is for further growth in the external AUM, which will continue to drive management earnings.

The overall level of performance fee revenue has increased compared to HY18, although the majority of these revenues occurred in Continental Europe in HY19 whereas they had primarily occurred in Asia in HY18. The growth in asset valuations and the performance of the managed partnerships over the past five years means performance fees are likely to be a feature of the Group's results in the short term.

Development

Demand for prime industrial space continued to support the Group's development workbook with highly sought global warehousing solutions being delivered across multiple markets. Scarcity of sites in infill areas and growing competition from other uses are also driving intensification of existing properties resulting in greater redevelopment opportunities. This has been and is expected to continue to be a theme across the Goodman portfolios.

Goodman Group
Directors' report
for the half year ended 31 December 2018

Operating and financial review (cont)

Analysis of performance (cont)

Development (cont)

Development earnings for HY19 were \$273.3 million (HY18: \$243.4 million). Development earnings comprise 42.4% of total operating earnings for the half year (HY18: 40.5%). During HY19, there were:

- + \$1.9 billion (HY18: \$1.4 billion) of development commencements with 54% pre-committed, reflecting speculative projects undertaken in Japan and North America; and
- + \$2.1 billion (HY18: \$1.4 billion) of development completions with 82% pre-committed and 81% developed for partnerships and third parties, reflecting the strength in Goodman's locations and the investment demand.

At 31 December 2018, development work in progress (based on end value) was maintained at \$3.6 billion (30 June 2018: \$3.6 billion). This included 68 projects in 12 countries spread across the Group's segments, which helps to mitigate the financial risk associated with a development workbook of this size. The forecast yield on cost of these projects is 7.1% (30 June 2018: 7.2%). The capital partnering of development projects is another way that Goodman has been able to manage its development risk, with 79% of the work in progress undertaken within partnerships. As referred to previously, development valuation gains from managed partnerships during HY19 were \$114.9 million, which did not form part of the Group's operating profit. In the near term, development work in progress is expected to grow strongly to over \$4.0 billion.

Operating expenses

Operating expenses were again tightly controlled. The increase in costs related to general inflation and the impacts of foreign currency translation, partly offset by savings in the United Kingdom following the completion of the disposal of Arlington Business Parks Partnership (ABPP) in August 2017.

Net finance expense (operating)

The net finance expense (operating) was lower than HY18, principally as a result of the lower cost of debt following the prior year debt restructure. However, this was partly offset by a weaker Australian dollar relative to the currencies in which the Group's debt and hedges are denominated.

Income tax expense (operating)

The increase in HY19 income tax expense (operating) from HY18 is broadly consistent with the increase in operating profit before tax from \$451.4 million to \$492.1 million.

Statement of financial position

	31 Dec 2018	30 Jun 2018
	\$M	\$M
Stabilised investment properties	1,705.2	1,624.3
Cornerstone investments in managed partnerships	6,890.3	6,086.5
Development holdings	2,139.8	1,993.6
Intangible assets	841.5	816.7
Cash	2,062.6	2,406.8
Other assets	595.6	531.5
Total assets	14,235.0	13,459.4
Interest bearing liabilities	2,958.5	3,081.5
Other liabilities	1,269.4	1,204.2
Total liabilities	4,227.9	4,285.7
Net assets attributable to Securityholders	10,007.1	9,173.7

The value of directly owned stabilised investment properties increased by \$80.9 million to \$1,705.2 million during HY19, primarily due to valuation increases, offset by the repositioning of certain assets for development. The majority of the stabilised investment properties are in Australia and include a number of sites with longer-term potential for redevelopment to higher and better uses.

The value of Goodman's cornerstone investments in managed partnerships (which excluded the Group's share of development assets held by the partnerships) increased by \$803.8 million to \$6,890.3 million. This was the result of valuation gains on stabilised assets, development completions (including valuation uplifts), equity investments in the partnerships and foreign exchange movements.

Goodman Group
Directors' report
for the half year ended 31 December 2018

Operating and financial review (cont)

Statement of financial position (cont)

Goodman's development holdings (which included the Group's share of development assets in the partnerships) increased during the half year by \$146.2 million to \$2,139.8 million. During HY19, Goodman continued to invest in the partnerships, primarily Goodman North America Partnership (GNAP), to fund its share of new developments. However, the increase in the Group's development holdings was primarily the result of foreign currency translation, as overall development activity was maintained across the Group. At 31 December 2018, the end value of development work in progress was \$3.6 billion (30 June 2018: \$3.6 billion).

The principal intangible asset balance is in Continental Europe. The movement in the half year has been a result of changes in foreign currency exchange rates. There were no additions to or impairments of intangible assets during HY19.

Movements in other assets mainly reflected the changes in Goodman's derivative financial instruments which are in place to hedge the Group's interest rate and foreign exchange rate risks.

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 half year is mainly the result of changes in the fair values of derivatives.

Liability management

Following the completion of a number of significant financing initiatives in FY18, Goodman maintained its prudent approach to liability management during HY19. At 31 December 2018, the Group had a weighted average debt maturity of 6.9 years (30 June 2018: 6.9 years) and had available liquidity of \$3.1 billion. Gearing remained low at 6.5% (30 June 2018: 5.1%) and interest cover was 17.4 times (30 June 2018: 16.2 times), which provided significant headroom relative to Goodman's financing covenants.

The Group's interest bearing liabilities net of cash were \$895.9 million at 31 December 2018 compared to \$674.7 million at 30 June 2018. The increase in the net liability was a result of the net investment in the managed partnerships, principally GNAP, and foreign exchange movements. During HY19, the Group's outstanding GBP notes of A\$215.9 million and secured loans in Brazil of A\$28.3 million were repaid from cash.

Cash flow

	2018	2017
	\$M	\$M
Operating cash flows	398.9	644.6
Investing cash flows	(192.7)	88.3
Financing cash flows (excluding dividends and distributions)	(326.8)	(246.4)
Dividends and distributions paid	(256.6)	(240.8)
Net (decrease)/increase in cash and cash equivalents held	(377.2)	245.7
Cash and cash equivalents at the beginning of the half year	2,406.8	2,095.1
Effect of exchange rate fluctuations on cash held	33.0	3.0
Cash and cash equivalents at the end of the half year	2,062.6	2,343.8

Operating cash flows were lower than HY18, primarily due to the timing of development and revenue receipts, with the majority of cash proceeds from development often received at completion.

The net investing cash outflow of \$192.7 million during HY19 compared to a net cash inflow of \$88.3 million in HY18. This was primarily due to the lower asset disposals in HY19, both in respect of directly held properties and investments and also in the managed partnerships. The investment in partnerships primarily related to North America to fund acquisitions and ongoing development activities.

Financing cash outflows (excluding dividends and distributions) increased in HY19 by \$80.4 million to \$326.8 million. The outflows in HY19 included the repayment of interest bearing liabilities denominated in GBP and BRL. In HY18, there was a significant refinancing of the Group's bonds (including costs) and the repayment of the Goodman PLUS.

The dividend and distribution payments to Securityholders in HY19 related to the final payment in respect of FY18, paid in August 2018. This was able to be funded out of the Group's positive operating cash flows.

**Goodman Group
Directors' report
for the half year ended 31 December 2018**

Operating and financial review (cont)

Outlook

The industrial property market continues to see significant change with the Group's customers, including e-commerce, traditional retail and third party logistics, re-evaluating supply chains and investing in their facilities for the long term. However, not all locations will see this transition and consequently Goodman's global footprint has evolved in line with its customers' needs to concentrate assets in infill and urban locations. The Group's property assets are in close proximity to consumers and retailers alike, helping expand relationships with customers across multiple global markets and helping Goodman's customers service their customers efficiently.

The growth in customer demand, combined with scarce availability of land in most of Goodman's markets, and competition from alternate uses, are creating a strong environment for the Group's business. The Directors believe this will sustain strong overall returns.

Dividend/distribution policy

Considering the structural growth in demand from our customers, the Group expects to undertake an increased volume of development activity. As a result, the Group expects to be allocating more capital to development and partnership investments on a consistent basis. This represents a structural change in our capital needs. In accordance with our recently revised Financial Risk Management Policy targets and considering the level of development activity, we intend to keep our financial leverage low.

One sustainable source of ongoing capital is the retention rate of operating profit. As a result of the strong growth in profitability that is currently being driven by this strategy, the Group believes it is an opportune time to swiftly readjust its target distribution payout ratio. At a payout ratio in the low 50% range the Group will be able to cater for an ongoing development work in progress of over \$4.0 billion which is expected to facilitate strong growth in the business whilst maintaining a disciplined approach to financial leverage over the longer term.

It is currently envisaged that the target payout ratio will be achieved by growing dividend/distribution per security by 7% in FY19 to 30 cents per security and maintaining that level of dividend/distribution per security (DPS) until the target payout ratio is met. Subject to current market conditions continuing as they are and in the absence of any unforeseen circumstances, the Group believes that it can achieve the desired payout ratio by the end of FY20. Once the desired ratio is achieved, it is intended that from that time on, the rate of operating earnings and dividend/distributions growth will realign.

As long as earnings are growing, market conditions remain robust and there are no unforeseen circumstances, Goodman will not reduce the distributions from the current 30 cents per security solely in order to achieve the desired payout ratio. In determining the DPS each year, the Group will also consider the minimum requirements to fulfil its statutory obligations which may result in a temporarily higher payout.

Events subsequent to balance date

There has not arisen in the interval between the end of the half 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 and GIT, the results of those operations, or the state of affairs of Goodman and GIT, in future financial years.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 10 and forms part of the Directors' report for the half year.

The Directors' report is made in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman

Sydney, 14 February 2019



Gregory Goodman
Group Chief Executive Officer



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 the Responsible Entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the reviews for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the reviews; and
- ii. no contraventions of any applicable code of professional conduct in relation to the reviews.

KPMG

KPMG

Eileen Hoggett
Partner

Sydney
14 February 2019

Goodman Group
Consolidated interim statement of financial position
as at 31 December 2018

	Goodman			GIT	
		31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Note	\$M	Restated ¹ \$M	\$M	\$M
Current assets					
Cash and cash equivalents		2,062.6	2,406.8	1,794.4	2,129.7
Receivables	5	329.4	464.6	2,150.2	2,109.0
Contract assets		267.9	145.4	-	-
Inventories	6(b)	214.0	520.5	-	-
Other financial assets		1.1	1.6	1.1	1.6
Other assets		6.6	17.1	2.1	5.0
Total current assets		2,881.6	3,556.0	3,947.8	4,245.3
Non-current assets					
Receivables	5	121.2	71.9	1,077.8	1,060.9
Inventories	6(b)	721.7	437.5	37.7	37.5
Investment properties	6(b)	1,811.8	1,774.6	1,323.6	1,222.4
Investments accounted for using the equity method	6(b)	7,572.7	6,585.5	5,812.9	5,021.9
Deferred tax assets		7.6	6.0	-	-
Other financial assets		252.7	187.8	304.7	220.6
Intangible assets	7	841.5	816.7	-	-
Other assets		24.2	23.4	-	-
Total non-current assets		11,353.4	9,903.4	8,556.7	7,563.3
Total assets		14,235.0	13,459.4	12,504.5	11,808.6
Current liabilities					
Payables		354.1	399.8	636.7	542.9
Contract liabilities		6.9	22.7	-	-
Current tax payables		78.6	59.2	-	-
Interest bearing liabilities	9	-	222.9	-	215.9
Provisions		280.5	270.5	272.1	166.6
Other financial liabilities		5.0	54.5	5.0	54.5
Total current liabilities		725.1	1,029.6	913.8	979.9
Non-current liabilities					
Payables		193.6	187.4	477.2	465.4
Contract liabilities		4.1	3.7	-	-
Interest bearing liabilities	9	2,958.5	2,858.6	2,863.7	2,749.0
Deferred tax liabilities		96.6	77.7	58.2	43.2
Provisions		37.0	34.3	-	-
Other financial liabilities		213.0	94.4	213.0	94.4
Total non-current liabilities		3,502.8	3,256.1	3,612.1	3,352.0
Total liabilities		4,227.9	4,285.7	4,525.9	4,331.9
Net assets		10,007.1	9,173.7	7,978.6	7,476.7
Equity attributable to Securityholders					
Issued capital	12	8,031.7	8,031.7	7,477.3	7,381.3
Reserves		308.7	185.0	48.5	(16.9)
Retained earnings		1,666.7	957.0	452.8	112.3
Total equity attributable to Securityholders		10,007.1	9,173.7	7,978.6	7,476.7
Comprising:					
Total equity attributable to GL	13(a)	746.9	582.5		
Total equity attributable to other entities stapled to GL	13(b)	9,260.2	8,591.2		
Total equity attributable to Securityholders		10,007.1	9,173.7	7,978.6	7,476.7

1. The comparative figures have been restated to reflect changes in accounting policies. Details of these are set out in note 1(d).

The consolidated interim statement of financial position is to be read in conjunction with the accompanying notes.

Goodman Group
Consolidated interim income statement
for the half year ended 31 December 2018

	Note	Goodman		GIT	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Revenue					
Gross property income	2	56.0	78.9	38.7	43.9
Management income		189.4	164.7	-	-
Development income	2	757.8	522.6	-	-
		1,003.2	766.2	38.7	43.9
Property and development expenses					
Property expenses		(18.3)	(18.2)	(13.4)	(13.0)
Development expenses	2	(520.6)	(353.8)	-	-
		(538.9)	(372.0)	(13.4)	(13.0)
Other income					
Net gain from fair value adjustments on investment properties	6(d)	100.8	60.0	95.9	56.4
Net gain on disposal of investment properties		13.6	38.6	7.2	10.1
Net gain on disposal of controlled entities	2	-	0.3	-	-
Share of net results of equity accounted investments	6(e)	672.2	451.2	536.7	335.5
Net gain on disposal of equity investments	2	6.2	-	-	0.6
Other income		-	-	-	0.5
		792.8	550.1	639.8	403.1
Other expenses					
Employee expenses		(95.8)	(95.3)	-	-
Share based payments expense		(77.1)	(60.4)	-	-
Administrative and other expenses		(36.3)	(33.1)	(24.9)	(17.9)
Reversal of previous impairments		-	0.2	-	-
		(209.2)	(188.6)	(24.9)	(17.9)
Profit before interest and tax		1,047.9	755.7	640.2	416.1
Net finance income/(expense)					
Finance income	8	21.2	31.4	69.1	110.8
Finance expense	8	(97.8)	(199.2)	(83.4)	(199.1)
Net finance expense		(76.6)	(167.8)	(14.3)	(88.3)
Profit before income tax		971.3	587.9	625.9	327.8
Income tax expense		(42.1)	(40.6)	(13.3)	(12.4)
Profit for the half year		929.2	547.3	612.6	315.4
Profit attributable to GL	13(a)	81.9	71.2		
Profit attributable to other entities stapled to GL	13(b)	847.3	471.5		
Profit attributable to Securityholders		929.2	542.7	612.6	310.8
Profit attributable to other non-controlling interests	13(c)	-	4.6	-	4.6
Profit for the half year		929.2	547.3	612.6	315.4
Basic profit per security (¢)	3(a)	51.3	30.2		
Diluted profit per security (¢)	3(a)	50.1	29.4		

The consolidated interim income statement is to be read in conjunction with the accompanying notes.

Goodman Group
Consolidated interim statement of comprehensive income
for the half year ended 31 December 2018

	Note	Goodman		GIT	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Profit for the half year		929.2	547.3	612.6	315.4
Other comprehensive income/(loss) for the half year					
Items that will not be reclassified to profit or loss					
Actuarial gains on defined benefit superannuation funds		-	3.3	-	-
Effect of foreign currency translation		(0.4)	(0.7)	-	-
		(0.4)	2.6	-	-
Items that are or may be reclassified subsequently to profit or loss					
(Decrease)/increase due to revaluation of other financial assets		-	(0.4)	3.7	2.9
Cash flow hedges:					
- Change in value of financial instruments		(2.1)	1.1	(2.1)	1.1
Effect of foreign currency translation		130.8	37.3	69.4	(23.8)
		128.7	38.0	71.0	(19.8)
Other comprehensive income for the half year, net of income tax		128.3	40.6	71.0	(19.8)
Total comprehensive income for the half year		1,057.5	587.9	683.6	295.6
Total comprehensive income attributable to GL	13(a)	111.1	50.3		
Total comprehensive income attributable to other entities stapled to GL	13(b)	946.4	533.0		
Total comprehensive income attributable to Securityholders		1,057.5	583.3	683.6	291.0
Total comprehensive income attributable to other non-controlling interests	13(c)	-	4.6	-	4.6
Total comprehensive income for the half year		1,057.5	587.9	683.6	295.6

The consolidated interim statement of comprehensive income is to be read in conjunction with the accompanying notes.

Goodman Group
Consolidated interim statement of changes in equity
for the half year ended 31 December 2018

Half year ended 31 December 2018

Goodman	Note	Attributable to Securityholders							Total reserves	Retained earnings	Total	Other non-controlling interests	Total equity
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve						
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$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 income for the half year													
Profit for the half year		-	-	-	-	-	-	-	542.7	542.7	4.6	547.3	
Other comprehensive (loss)/income													
Effect of foreign currency translation		-	(0.3)	-	37.6	-	(0.7)	36.6	-	36.6	-	36.6	
Cash flow hedges:													
- Change in value of financial instruments		-	-	1.1	-	-	-	1.1	-	1.1	-	1.1	
Decrease due to revaluation of other financial assets		-	(0.4)	-	-	-	-	(0.4)	-	(0.4)	-	(0.4)	
Actuarial gains on defined benefit superannuation funds		-	-	-	-	-	3.3	3.3	-	3.3	-	3.3	
Total other comprehensive (loss)/income for the half year, net of income tax		-	(0.7)	1.1	37.6	-	2.6	40.6	-	40.6	-	40.6	
Total comprehensive (loss)/income for the half year, net of income tax		-	(0.7)	1.1	37.6	-	2.6	40.6	542.7	583.3	4.6	587.9	
Transfers		-	-	-	-	(42.8)	-	(42.8)	41.6	(1.2)	1.2	-	
Contributions by and distributions to owners													
Distributions on stapled securities	11	-	-	-	-	-	-	-	(247.6)	(247.6)	-	(247.6)	
Distributions on Goodman PLUS	13(c)	-	-	-	-	-	-	-	-	-	(4.6)	(4.6)	
Equity settled share based payments expense		-	-	-	-	41.4	-	41.4	-	41.4	-	41.4	
Repurchase of Goodman PLUS	13(c)	-	-	-	-	-	-	-	-	-	(327.0)	(327.0)	
Balance at 31 December 2017		8,031.7	(6.8)	(0.3)	(111.8)	130.2	(28.8)	(17.5)	658.1	8,672.3	-	8,672.3	
Balance at 1 July 2018		8,031.7	(6.9)	1.5	45.3	171.2	(26.1)	185.0	957.0	9,173.7	-	9,173.7	
Total comprehensive (loss)/income for the half year													
Profit for the half year		-	-	-	-	-	-	-	929.2	929.2	-	929.2	
Other comprehensive (loss)/income													
Effect of foreign currency translation		-	(0.2)	0.1	130.9	-	(0.4)	130.4	-	130.4	-	130.4	
Cash flow hedges:													
- Change in value of financial instruments		-	-	(2.1)	-	-	-	(2.1)	-	(2.1)	-	(2.1)	
Total other comprehensive (loss)/income for the half year, net of income tax		-	(0.2)	(2.0)	130.9	-	(0.4)	128.3	-	128.3	-	128.3	
Total comprehensive (loss)/income for the half year, net of income tax		-	(0.2)	(2.0)	130.9	-	(0.4)	128.3	929.2	1,057.5	-	1,057.5	
Transfers		-	-	-	-	(52.6)	-	(52.6)	52.6	-	-	-	
Contributions by and distributions to owners													
Dividends/distributions on stapled securities	11	-	-	-	-	-	-	-	(272.1)	(272.1)	-	(272.1)	
Equity settled share based payments expense		-	-	-	-	48.0	-	48.0	-	48.0	-	48.0	
Balance at 31 December 2018		8,031.7	(7.1)	(0.5)	176.2	166.6	(26.5)	308.7	1,666.7	10,007.1	-	10,007.1	

The consolidated interim 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 13(b).

Goodman Group
Consolidated interim statement of changes in equity
for the half year ended 31 December 2018

Half year ended 31 December 2018

GIT	Note	Attributable to Unitholders							Total	Other non-controlling interests	Total equity
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	Accumulated losses/Retained earnings			
		\$M	\$M	\$M	\$M	\$M	\$M	\$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 half year											
Profit for the half year		-	-	-	-	-	-	310.8	310.8	4.6	315.4
Other comprehensive income/(loss)											
Effect of foreign currency translation		-	0.4	0.1	(24.3)	-	(23.8)	-	(23.8)	-	(23.8)
Cash flow hedges:											
- Change in value of financial instruments		-	-	1.1	-	-	1.1	-	1.1	-	1.1
Increase due to revaluation of other financial assets		-	2.9	-	-	-	2.9	-	2.9	-	2.9
Total other comprehensive income/(loss) for the half year, net of income tax		-	3.3	1.2	(24.3)	-	(19.8)	-	(19.8)	-	(19.8)
Total comprehensive income/(loss) for the half year, net of income tax		-	3.3	1.2	(24.3)	-	(19.8)	310.8	291.0	4.6	295.6
Transfers		-	-	-	-	-	-	(1.2)	(1.2)	1.2	-
Contributions by and distributions to owners											
Distributions declared on ordinary units	11	-	-	-	-	-	-	(247.6)	(247.6)	-	(247.6)
Distributions paid/payable on Goodman PLUS	13(c)	-	-	-	-	-	-	-	-	(4.6)	(4.6)
Issue of ordinary units under the Goodman LTIP	12	70.8	-	-	-	-	-	-	70.8	-	70.8
Equity settled share based payments transaction relating to Goodman		-	-	-	-	(4.8)	(4.8)	-	(4.8)	-	(4.8)
Repurchase of Goodman PLUS	13(c)	-	-	-	-	-	-	-	-	(327.0)	(327.0)
Balance at 31 December 2017		7,381.3	15.6	(0.3)	(219.5)	98.7	(105.5)	(121.6)	7,154.2	-	7,154.2
Balance at 1 July 2018		7,381.3	10.5	1.5	(158.2)	129.3	(16.9)	112.3	7,476.7	-	7,476.7
Total comprehensive income/(loss) for the half year											
Profit for the half year		-	-	-	-	-	-	612.6	612.6	-	612.6
Other comprehensive income											
Effect of foreign currency translation		-	0.3	0.1	69.0	-	69.4	-	69.4	-	69.4
Cash flow hedges:											
- Change in value of financial instruments		-	-	(2.1)	-	-	(2.1)	-	(2.1)	-	(2.1)
Increase due to revaluation of other financial assets		-	3.7	-	-	-	3.7	-	3.7	-	3.7
Total other comprehensive income/(loss) for the half year, net of income tax		-	4.0	(2.0)	69.0	-	71.0	-	71.0	-	71.0
Total comprehensive income/(loss) for the half year		-	4.0	(2.0)	69.0	-	71.0	612.6	683.6	-	683.6
Contributions by and distributions to owners											
Distributions declared on ordinary units	11	-	-	-	-	-	-	(272.1)	(272.1)	-	(272.1)
Issue of ordinary units under the Goodman LTIP	12	96.0	-	-	-	-	-	-	96.0	-	96.0
Equity settled share based payments transaction relating to Goodman		-	-	-	-	(5.6)	(5.6)	-	(5.6)	-	(5.6)
Balance at 31 December 2018		7,477.3	14.5	(0.5)	(89.2)	123.7	48.5	452.8	7,978.6	-	7,978.6

The consolidated interim 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 13(b).

Goodman Group
Consolidated interim cash flow statement
for the half year ended 31 December 2018

	Goodman		GIT	
	2018	2017	2018	2017
	\$M	\$M	\$M	\$M
Cash flows from operating activities				
Property income received	63.0	76.7	41.2	45.0
Cash receipts from development activities	671.1	732.1	-	-
Other cash receipts from services provided	131.7	133.2	-	-
Property expenses paid	(18.6)	(17.1)	(4.0)	(6.8)
Payments for development activities	(333.7)	(284.7)	(6.8)	(0.3)
Other cash payments in the course of operations	(195.4)	(182.5)	(1.6)	(1.3)
Distributions received from equity accounted investments	143.4	270.2	119.7	162.2
Interest received	26.0	13.8	24.7	13.7
Finance costs paid	(78.6)	(71.9)	(86.5)	(71.2)
Net income taxes (paid)/received	(10.0)	(25.2)	(1.0)	1.1
Net cash provided by operating activities	398.9	644.6	85.7	142.4
Cash flows from investing activities				
Net proceeds from disposal of investment properties	49.4	223.7	2.6	80.3
Net proceeds from disposal of equity investments	108.6	196.3	101.3	0.7
Payments for investment properties	(22.0)	(68.1)	(5.8)	(6.2)
Payments for equity investments	(327.8)	(259.8)	(254.1)	(145.6)
Payments for plant and equipment	(0.9)	(3.8)	-	-
Net cash (used in)/provided by investing activities	(192.7)	88.3	(156.0)	(70.8)
Cash flows from financing activities				
Repurchase of Goodman PLUS	-	(327.0)	-	(327.0)
Net cash flows from loans to related parties	(47.3)	(26.5)	125.1	549.2
Proceeds from borrowings	-	1,836.4	-	1,836.4
Payments on borrowings and derivative financial instruments	(279.5)	(1,729.3)	(253.7)	(1,722.2)
Dividends and distributions paid	(256.6)	(240.8)	(166.6)	(240.8)
Net cash (used in)/provided by financing activities	(583.4)	(487.2)	(295.2)	95.6
Net (decrease)/increase in cash held	(377.2)	245.7	(365.5)	167.2
Cash and cash equivalents at the beginning of the half year	2,406.8	2,095.1	2,129.7	1,882.5
Effect of exchange rate fluctuations on cash held	33.0	3.0	30.2	3.4
Cash and cash equivalents at the end of the half year	2,062.6	2,343.8	1,794.4	2,053.1

The consolidated interim cash flow statement is to be read in conjunction with the accompanying notes.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Basis of preparation

1 Basis of preparation

Goodman Limited and Goodman Industrial Trust are domiciled in Australia. These interim condensed financial statements as at and for the six months ended 31 December 2018 comprise the results of Goodman Limited and the entities it controlled and the results of Goodman Industrial Trust and the entities it controlled.

(a) Statement of compliance

These interim financial statements are general purpose financial reports which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial statements are presented in Australian dollars and were authorised for issue by the Directors on 14 February 2019.

The interim financial statements do not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of Goodman Group as at and for the year ended 30 June 2018.

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 was incorporated and is 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 included as adjacent columns in this report. The financial statements of GLHK have been included as an appendix to this report.

(b) Rounding

Goodman and GIT are entities of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, amounts in this interim financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

(c) Critical accounting estimates used in the preparation of the 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; and
- + Note 10 – Financial instruments.

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 10 – Financial instruments.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Basis of preparation (cont)

1 Basis of preparation (cont)

(d) Changes in accounting policies

Except as disclosed below, the accounting policies applied in these interim financial statements are the same as those applied in the Goodman Group consolidated financial statements for the year ended 30 June 2018. Goodman and GIT have not applied any Australian Accounting Standards available for early adoption in the preparation of these financial statements.

Goodman and GIT have adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*, with a date of initial application of 1 July 2018.

AASB 15 Revenue from Contracts with Customers

AASB 15 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 adoption of AASB 15 has resulted in a change in accounting policy for revenue recognition associated with property disposals, such that revenue is recognised on transfer of control of the asset rather than the transfer of the significant risks and rewards associated with the asset. For Goodman, the new accounting policy has not had a material impact on the revenue and profit reflected in previous periods but the consolidated statement of financial position now includes additional captions for "Contract assets" and "Contract liabilities".

In accordance with the transition provisions in AASB 15, Goodman has adopted the new rules retrospectively and has restated the comparative statement of financial position at the date of initial application as set out below:

Goodman

	Impact of adopting AASB 15		
	As previously reported 30 Jun 2018 \$M	Adjustments \$M	Restated 1 Jul 2018 \$M
Current assets			
Receivables	610.0	(145.4)	464.6
Contract assets	-	145.4	145.4
Total current assets	610.0	-	610.0
Current liabilities			
Payables	422.5	(22.7)	399.8
Contract liabilities	-	22.7	22.7
Total current liabilities	422.5	-	422.5
Non-current liabilities			
Payables	191.1	(3.7)	187.4
Contract liabilities	-	3.7	3.7
Total non-current liabilities	191.1	-	191.1

Contract assets

Contract assets include accrued development income, amounts recoverable on development contracts and accrued performance fees. These were previously recognised as receivables.

Contract liabilities

Contract liabilities include consideration received in advance of the completion of development contracts and rental guarantees. These were previously recognised as payables.

The adoption of AASB 15 has not had a material impact on the results of GIT.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Basis of preparation (cont)

1 Basis of preparation (cont)

(d) Changes in accounting policies (cont)

Goodman's accounting policies for revenue recognition are detailed below.

Gross property income

Gross property income comprises rental income 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 are recognised once the expense has been incurred. The expense is included in property expenses.

Rental income under operating leases is 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 and development income

The revenue from management and development activities is measured based on the consideration specified in a contract with a customer. Goodman recognises revenue when it transfers control over a product or service to a customer.

Management income

Fee income derived from investment management and property services is recognised and invoiced progressively as the services are provided. Customers make payments usually either monthly or quarterly in arrears.

Performance related investment management income is recognised progressively as the services are provided but only when the income can be reliably measured and is highly probable of not being reversed. These portfolio performance fees are typically dependent on the overall returns of a partnership relative to an agreed benchmark return, assessed over the life of the partnership, which can vary from one year to seven years. The returns are impacted by operational factors such as quality and location of the portfolio, active property management and rental income rates but can also be significantly affected by changes in global and local economic conditions. Accordingly, performance fee revenue is only recognised at a point close to the end of the relevant assessment period, as prior to this revenue recognition is not considered to be sufficiently certain.

In determining the amount of revenue that can be reliably measured, management prepares a sensitivity analysis to understand the impact of changes in asset valuations on the potential performance fee at the assessment date. The assessment of revenue will depend on the prevailing market conditions at the reporting date relative to long-term averages and also the length of time until the assessment date e.g. the longer the time period to assessment date, the greater the impact of the sensitivity analysis. The potential portfolio performance fee revenue is then recognised based on the length of time from the start of the assessment period to the reporting date as a proportion of the total assessment period. Payments are made at the end of the performance periods.

Development income – disposal of inventories

The disposal of inventories is recognised at the point in time when control over the property asset is transferred to the customer. This will generally occur on transfer of legal title and payment in full by the customer. 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 is included in the income statement in the period of disposal.

Development income – development management services

Fee income from development management services (including master-planning, development management and overall project management) is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs. Payments are received in accordance with the achievement of agreed milestones over the development period. The development period is usually between six months and twelve months.

Performance related development management income is recognised by Goodman on attainment of the performance related conditions, which is when the income can be reliably measured and is highly probable of not being reversed. These amounts are paid by the partnership when the amounts have been measured and agreed.

Development income – fixed price development contracts

Certain development activities are assessed as being fixed price development contracts. This occurs when a signed contract exists, either prior to the commencement of or during the development phase, to acquire a development asset from Goodman on completion. Revenue and expenses relating to these development contracts are recognised in the income statement in proportion to the stage of completion of the relevant contracts by reference to costs. The payments may be on completion of the development once legal title has been transferred. The development phase is usually between six months and twelve months but may be longer.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Basis of preparation (cont)

1 Basis of preparation (cont)

(d) Changes in accounting policies (cont)

Net gain on disposal of investment properties

The disposal of an investment property is recognised at the point in time when control over the property has been transferred to the purchaser.

AASB 9 Financial Instruments

AASB 9 sets out the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, hedge accounting and impairment of financial assets. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

(i) Classification and measurement

The new classification of financial assets under AASB 9 has not had a material impact on Goodman's or GIT's financial statements.

(ii) Derivatives and hedging

AASB 9 allows the application of a more qualitative approach to assessing hedge effectiveness compared to AASB 139. Goodman and GIT's directly held derivative financial instruments are not designated as a hedge for accounting purposes. Certain of Goodman and GIT's associates and JVs continue to designate derivative financial instruments as cash flow hedges for accounting purposes but the new standard has not had a material impact on Goodman and GIT's equity accounted results.

(iii) Impairment of financial assets

Under AASB 9, impairments of trade receivables, amounts and loans due from related parties and other receivables are based on an 'expected credit loss' assessment. Previously, impairments were only booked when issues regarding the potential collectability of a receivable or contract asset had been identified.

The change in methodology did not have a material impact on the results of Goodman and GIT as receivables relate to property rental income, where the Group generally holds either a security deposit or a bank guarantee, and amounts due from related parties, including managed partnerships.

(e) Accounting standards issued but not yet effective

As detailed in the 30 June 2018 financial statements, AASB 16 Leases will become mandatory for Goodman's 30 June 2020 financial statements and will result in the gross up of assets and liabilities where Goodman leases office buildings, motor vehicles and development land classified as inventories. Goodman's future minimum lease payments based on the non-cancellable operating leases that have been entered into by 31 December 2018, amount to \$41.6 million for development land and \$65.4 million for other leases.

Upon the initial adoption of AASB 16 at 1 July 2019, the present value of the future minimum lease payments for leases with a term of more than twelve months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. Goodman will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of AASB 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of AASB 16.

As a lessee, GIT has no material leases and therefore the new standard will not have a material impact.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Results for the half year

2 Profit before income tax

Profit before income tax has been arrived at after crediting/(charging) the following items:

	Note	Goodman		GIT	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Gross property income					
Rental income		46.1	68.2	30.9	35.5
Recovery of property outgoings		9.9	10.7	7.8	8.4
Gross property income		56.0	78.9	38.7	43.9
Development activities					
Income from disposal of inventories		363.3	180.5	-	-
Net gain on disposal of special purpose development entities		4.8	14.8	-	-
Other development income		389.7	327.3	-	-
Development income		757.8	522.6	-	-
Inventory cost of sales		(229.2)	(145.2)	-	-
Other development expenses		(291.4)	(208.6)	-	-
Development expenses		(520.6)	(353.8)	-	-
Disposal of equity investments					
Net consideration from disposal of associates and joint ventures (JVs) ¹		6.2	203.3	-	0.6
Carrying value of associates and JVs disposed	6(e)(i)	-	(203.3)	-	-
Net gain on disposal of equity investments		6.2	-	-	0.6
Disposal of controlled entities					
Net consideration received and receivable from disposal of controlled entities		-	91.6	-	-
Carrying value of net assets disposed		-	(91.3)	-	-
Net gain on disposal of controlled entities		-	0.3	-	-

1. For HY18, the net consideration on disposal of equity investments comprised \$203.3 million arising from the disposal of ABPP in the United Kingdom.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Results for the half year (cont)

3 Profit per security/Company share

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 half 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	51.3	30.2
Diluted profit per security	50.1	29.4

Profit after tax used in calculating basic and diluted profit per security:

	2018	2017
	\$M	\$M
Profit per security		
Profit after tax used in calculating basic profit per security	929.2	542.7
Distribution on Goodman PLUS	-	4.6
Profit after tax used in calculating diluted profit per security	929.2	547.3

Weighted average number of securities used in calculating basic and diluted profit per security:

	2018	2017
	Number of securities	
Weighted average number of securities used in calculating basic profit per security	1,809,533,054	1,796,904,058
Effect of performance rights on issue	46,865,194	44,544,985
Effect of issue of securities to Goodman PLUS holders	-	20,145,736
Weighted average number of securities used in calculating diluted profit per security and Company share	1,856,398,248	1,861,594,779

The calculation of profit per security is not required for GIT.

(b) Goodman Limited

Under Australian Accounting Standards, the issued units of GIT and the CDIs over the shares of GLHK are presented as non-controlling interests. As a consequence, the Directors are required to present a basic profit per share and a diluted profit per share based on GL's consolidated result after tax, but excluding the results attributable to GIT, GLHK and also other non-controlling interests (Goodman PLUS).

	2018	2017
	€	€
Profit per Goodman Limited share		
Basic profit per Goodman Limited share	4.5	4.0
Diluted profit per Goodman Limited share	4.4	3.9

The profit after tax used in calculating the basic and diluted profit per Goodman Limited share was \$81.9 million (2017: profit after tax of \$71.2 million and \$72.3 million respectively).

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Results for the half year (cont)

4 Segment reporting

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), the 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 comprising:

- + property investment, including both direct ownership and 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 managed partnerships.

Information about reportable segments

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement												
External revenues												
Gross property income	50.7	60.5	0.8	2.6	3.1	4.1	1.3	2.7	0.1	9.0	56.0	78.9
Management income	57.5	72.6	39.2	61.5	87.1	27.9	1.0	1.4	4.6	1.3	189.4	164.7
Development income	215.8	47.2	28.0	48.8	454.0	404.4	36.3	10.6	23.7	11.6	757.8	522.6
Total external revenues	324.0	180.3	68.0	112.9	544.2	436.4	38.6	14.7	28.4	21.9	1,003.2	766.2
Analysis of external revenues:												
Rental income (excludes outgoing recoveries)	41.9	50.3	0.8	2.3	2.1	4.0	1.3	2.6	0.1	9.0	46.2	68.2
Assets and services transferred at a point in time	120.4	22.1	13.0	22.4	223.1	188.4	35.3	8.7	0.6	-	392.4	241.6
Assets and services transferred over time	161.7	107.9	54.2	88.2	319.0	244.0	2.0	3.4	27.7	12.9	564.6	456.4
Total external revenues	324.0	180.3	68.0	112.9	544.2	436.4	38.6	14.7	28.4	21.9	1,003.2	766.2
Reportable segment profit/(loss) before tax	247.1	243.6	69.1	135.5	214.3	120.3	(1.1)	0.4	29.3	21.7	558.7	521.5
Share of net results of equity accounted investments	342.1	161.9	154.9	125.5	46.6	54.0	15.8	9.7	112.8	100.1	672.2	451.2
Material non-cash items not included in reportable segment profit before tax												
Net gain from fair value adjustments on investment properties	100.8	60.0	-	-	-	-	-	-	-	-	100.8	60.0
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Statement of financial position												
Reportable segment assets	5,102.8	4,848.0	2,427.9	2,208.1	2,184.7	2,012.1	775.1	736.3	1,652.8	1,342.4	12,143.3	11,146.9
Non-current assets	4,878.6	4,527.9	2,196.1	1,979.9	1,739.3	1,621.5	695.9	440.6	1,541.4	1,124.4	11,051.3	9,694.3
Included in reportable segment assets are:												
Investment properties	1,780.9	1,744.1	-	-	-	-	30.9	30.5	-	-	1,811.8	1,774.6
Investments accounted for using the equity method	3,023.8	2,736.8	2,021.9	1,816.2	848.7	798.3	145.9	118.6	1,532.4	1,115.6	7,572.7	6,585.5
Reportable segment liabilities	200.1	201.5	113.4	100.4	79.6	90.7	73.9	80.1	85.3	73.7	552.3	546.4

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Results for the half year (cont)

4 Segment reporting (cont)

Information about reportable segments

GIT	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement										
External revenues										
Gross property income	38.7	43.1	-	-	-	-	-	-	38.7	43.1
Other income	-	-	-	-	-	0.5	-	-	-	0.5
Total external revenues	38.7	43.1	-	-	-	0.5	-	-	38.7	43.6
Analysis of external revenues:										
Rental income (excludes outgoings recoveries)	30.9	34.7	-	-	-	-	-	-	30.9	34.7
Assets and services transferred over time	7.8	8.4	-	-	-	0.5	-	-	7.8	8.9
Total external revenues	38.7	43.1	-	-	-	0.5	-	-	38.7	43.6
Reportable segment profit before tax	94.1	107.1	16.2	14.5	19.8	20.6	17.7	11.2	147.8	153.4
Share of net results of equity accounted investments	323.3	150.2	77.7	48.1	27.0	40.8	108.7	96.4	536.7	335.5
Material non-cash items not included in reportable segment profit before tax										
Net gain from fair value adjustments on investment properties	95.9	56.4	-	-	-	-	-	-	95.9	56.4
Statement of financial position										
Reportable segment assets	4,040.1	3,803.1	1,006.1	900.8	730.2	703.4	1,478.0	1,075.7	7,254.4	6,483.0
Non-current assets	3,988.2	3,629.4	1,006.1	900.8	729.6	698.5	1,477.4	1,075.6	7,201.3	6,304.3
Included in reportable segment assets are:										
Investment properties	1,323.6	1,222.4	-	-	-	-	-	-	1,323.6	1,222.4
Investments accounted for using the equity method	2,626.8	2,369.5	1,006.1	900.8	702.5	676.0	1,477.5	1,075.6	5,812.9	5,021.9
Reportable segment liabilities	136.2	142.6	-	-	-	3.4	58.4	43.7	194.6	189.7

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Results for the half year (cont)

4 Segment reporting (cont)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	Note	Goodman		GIT	
		2018 \$M	2017 \$M	2018 \$M	2017 \$M
Revenues					
Total revenue for reportable segments		1,003.2	766.2	38.7	43.6
Total revenue for other segments		-	-	-	0.8
Consolidated revenues		1,003.2	766.2	38.7	44.4
Profit or loss					
Total profit before tax for reportable segments¹					
Property investment earnings		181.8	193.1		
Management earnings		189.4	164.7		
Development earnings		273.3	243.4		
Operating expenses allocated to reportable segments		(85.8)	(79.7)		
Reportable segment profit before tax		558.7	521.5	147.8	153.4
Profit before tax for other segments		-	-	-	0.7
Corporate expenses not allocated to reportable segments		(46.3)	(48.7)	(24.5)	(17.0)
		512.4	472.8	123.3	137.1
Valuation and other items not included in reportable segment profit before tax:					
- Net gain from fair value adjustments on investment properties	6(d)	100.8	60.0	95.9	56.4
- Share of fair value adjustments attributable to investment properties in associates and JVs after tax	6(e)	510.9	296.0	413.7	232.4
- Reversal of previous impairments		-	0.2	-	-
- Share of fair value adjustments on derivative financial instruments in associates and JVs	6(e)	6.6	(11.1)	7.4	(10.3)
- Straight lining of rental income		(0.1)	0.4	(0.2)	0.5
- Share based payments expense		(77.1)	(60.4)	-	-
- Net capital losses not distributed and tax deferred adjustments		(5.6)	(2.2)	0.1	-
Profit before interest and tax		1,047.9	755.7	640.2	416.1
Net finance expense	8	(76.6)	(167.8)	(14.3)	(88.3)
Consolidated profit before income tax		971.3	587.9	625.9	327.8
		31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
		\$M	\$M	\$M	\$M
Assets					
Assets for reportable segments		12,143.3	11,146.9	7,254.4	6,483.0
Cash		1,785.1	2,102.3	1,785.1	2,102.3
Other unallocated amounts ²		306.6	210.2	3,465.0	3,223.3
Consolidated total assets		14,235.0	13,459.4	12,504.5	11,808.6
Liabilities					
Liabilities for reportable segments		552.3	546.4	194.6	189.7
Interest bearing liabilities		2,958.5	3,081.5	2,863.7	2,964.9
Provisions for dividends/distributions	11	272.1	256.6	272.1	166.6
Other unallocated amounts ²		445.0	401.2	1,195.5	1,010.7
Consolidated total liabilities		4,227.9	4,285.7	4,525.9	4,331.9

1. The allocation of GIT's segment results to property investment, management and development is not reported to the Group Chief Executive Officer.
2. 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.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets

5 Receivables

	Goodman		GIT	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Restated¹			
	\$M	\$M	\$M	\$M
Current				
Trade receivables	25.1	56.7	-	-
Tax receivables	9.3	9.1	-	-
Other receivables	168.9	135.1	40.5	23.9
Amounts due from related parties	126.1	259.5	3.2	128.7
Loans to related parties	-	4.2	2,106.5	1,956.4
	329.4	464.6	2,150.2	2,109.0
Non-current				
Other receivables	2.4	2.3	-	-
Loans to related parties	118.8	69.6	1,077.8	1,060.9
	121.2	71.9	1,077.8	1,060.9

1. The comparative figures have been restated to reflect the allocation of certain receivables to contract assets in accordance with AASB 15. Details of these are set out in note 1(d).

6 Property assets

(a) Types of property assets

Goodman's investment in property assets includes both inventories and investment properties, which may be held either directly or through its 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 the Group's business. Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Inventories are classified as non-current assets unless they are contracted to be sold within twelve months of the end of the reporting period, in which case they are classified as current assets.

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.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(b) Summary of Goodman's investment in property assets

	Goodman		GIT	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Note	\$M	\$M	\$M
Inventories				
Current		214.0	520.5	-
Non-current		721.7	437.5	37.7
		935.7	958.0	37.7
Investment properties				
Stabilised investment properties		1,705.2	1,624.3	1,312.7
Investment properties under development		106.6	150.3	10.9
	6(d)	1,811.8	1,774.6	1,323.6
Investments accounted for using the equity method				
Associates	6(e)(i)	4,588.4	4,162.4	3,949.8
JVs	6(e)(ii)	2,984.3	2,423.1	1,863.1
		7,572.7	6,585.5	5,812.9
Total property assets		10,320.2	9,318.1	7,174.2

(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 knowledgeably, 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.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(c) Estimates and assumptions in determining property carrying values (cont)

Stabilised investment properties (cont)

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.

Market assessment

At 31 December 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 discounted cash flow calculations. The overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are as set out in the table below:

Division	Goodman		GIT	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	%	%	%	%
Australia and New Zealand ¹	5.5	5.9	5.4	5.8
Asia	4.9	5.0	4.5	4.6
Continental Europe	5.2	5.4	5.3	5.5
United Kingdom	5.2	5.4	-	-
Americas	4.2	4.2	4.2	4.2

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.

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 Goodman's investments in managed partnerships. However, certain managed partnerships do obtain independent valuations for investment properties under development each financial year.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(d) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Goodman		GIT	
	2018	2017	2018	2017
	\$M	\$M	\$M	\$M
Carrying amount at the beginning of the half year	1,774.6	2,010.2	1,222.4	1,263.5
Acquisitions	-	26.7	-	-
Capital expenditure	21.0	29.7	5.2	8.1
Carrying value of properties disposed	(30.8)	(186.4)	-	(72.9)
Transfers to inventories	(54.5)	(23.0)	-	-
Net gain from fair value adjustments	100.8	60.0	95.9	56.4
Effect of foreign currency translation	0.7	0.5	0.1	(0.4)
Carrying amount at the end of the half year	1,811.8	1,917.7	1,323.6	1,254.7
Analysed by segment:				
Australia and New Zealand	1,780.9	1,888.1	1,323.6	1,254.7
United Kingdom	30.9	29.6	-	-
	1,811.8	1,917.7	1,323.6	1,254.7

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(e) 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.

(i) Investments in associates

Investments in associates are set out below:

Name of associate	Country of establishment	Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
		2018	2017	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	2018	2017	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
		\$M	\$M	%	%	\$M	\$M	\$M	\$M	%	%	\$M	\$M
Property investment													
Goodman Australia Industrial Partnership (GAIP)	Australia	226.8	86.6	27.9	27.9	1,501.5	1,319.7	226.6	86.7	27.9	27.9	1,501.5	1,319.7
Goodman Australia Partnership (GAP)	Australia	81.8	53.7	19.9	19.9	739.6	673.4	81.8	53.7	19.9	19.9	739.6	673.4
Goodman Property Trust (GMT)	New Zealand	18.5	6.9	21.4	21.2	384.8	354.9	-	-	-	-	-	-
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	77.7	48.1	20.0	20.0	1,006.1	900.8	77.7	48.1	20.0	20.0	1,006.1	900.8
Goodman Japan Core Partnership (GJCP)	Japan	8.8	11.7	17.3	17.3	253.8	237.7	-	-	-	-	-	-
Goodman European Partnership (GEP)	Luxembourg	26.9	40.8	20.4	20.4	702.6	675.9	26.9	40.8	20.4	20.4	702.6	675.9
		440.5	247.8			4,588.4	4,162.4	413.0	229.3			3,949.8	3,569.8

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(e) Investments accounted for using the equity method (cont)

(i) Investments in associates (cont)

The reconciliation of the carrying amount of investments in associates is set out as follows:

	Goodman		GIT	
	2018	2017	2018	2017
	\$M	\$M	\$M	\$M
Movement in carrying amount of investments in associates				
Carrying amount at the beginning of the half year	4,162.4	3,907.0	3,569.8	3,159.0
Share of net results after tax (before fair value adjustments)	112.3	110.5	88.9	95.1
Share of fair value adjustments attributable to investment properties after tax	321.6	148.6	316.7	144.7
Share of fair value adjustments on derivative financial instruments	6.6	(11.3)	7.4	(10.5)
Share of net results	440.5	247.8	413.0	229.3
Share of movements in reserves	(2.0)	0.7	(2.0)	0.7
Acquisitions	4.9	115.0	-	94.8
Disposals	-	(203.3)	-	-
Distributions received and receivable	(115.0)	(158.0)	(99.3)	(142.0)
Effect of foreign currency translation	97.6	(14.7)	68.3	6.3
Carrying amount at the end of the half year	4,588.4	3,894.5	3,949.8	3,348.1

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(e) Investments accounted for using the equity method (cont)

(ii) Investments in JVs

A summary of the results and ownership interest of the Group's principal JVs is set out below:

Name of JV	Country of establishment/ incorporation	Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
		2018	2017	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	2018	2017	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
		\$M	\$M	%	%	\$M	\$M	\$M	\$M	%	%	\$M	\$M
Property investment													
KWASA Goodman Industrial Partnership (KGIP)	Australia	4.4	5.1	40.0	40.0	167.4	166.5	4.4	5.1	40.0	40.0	167.4	166.5
KWASA Goodman Germany (KGG)	Luxembourg	18.4	13.2	19.3	19.7	141.0	121.7	-	-	-	-	-	-
Property development													
Goodman Japan Development Partnership (GJDP)	Japan	0.8	18.4	50.0	50.0	141.3	127.4	-	-	-	-	-	-
Property investment and development													
Goodman China Logistics Partnership (GCLP)	Cayman Islands	67.8	48.0	20.0	20.0	616.5	545.8	-	-	-	-	-	-
Goodman UK Partnership (GUKP)	United Kingdom	15.0	9.7	33.3	33.3	135.7	109.4	-	-	-	-	-	-
Goodman North America Partnership (GNAP)	USA	111.7	100.1	55.0	55.0	1,516.3	1,104.9	107.6	96.4	53.0	53.0	1,461.3	1,064.9
Other JVs		13.6	8.9			266.1	247.4	11.7	4.7			234.4	220.7
		231.7	203.4			2,984.3	2,423.1	123.7	106.2			1,863.1	1,452.1

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Operating assets (cont)

6 Property assets (cont)

(e) Investments accounted for using the equity method (cont)

(ii) Investments in JVs (cont)

The reconciliation of the carrying amount of investments in JVs is set out as follows:

	Goodman		GIT	
	2018	2017	2018	2017
	\$M	\$M	\$M	\$M
Movement in carrying amount of investments in JVs				
Carrying amount at the beginning of the half year	2,423.1	1,819.3	1,452.1	1,111.8
Share of net results after tax (before fair value adjustments)	42.4	55.8	26.7	18.3
Share of fair value adjustments attributable to investment properties after tax	189.3	147.4	97.0	87.7
Share of fair value adjustments on derivative financial instruments	-	0.2	-	0.2
Share of net results	231.7	203.4	123.7	106.2
Share of movements in reserves	(45.4)	16.3	-	-
Acquisitions	299.1	145.0	248.0	50.8
Distributions/dividends received and receivable	(28.9)	(115.2)	(20.4)	(20.2)
Effect of foreign currency translation	104.7	(14.3)	59.7	(10.8)
Carrying amount at the end of the half year	2,984.3	2,054.5	1,863.1	1,237.8

7 Intangible assets

	31 Dec 2018	30 Jun 2018
	\$M	\$M
Goodwill	732.6	712.3
Management rights	108.9	104.4
	841.5	816.7
Analysed:		
Continental Europe	653.6	634.6
United Kingdom	89.0	87.9
Other	98.9	94.2
	841.5	816.7

The present values of the intangible assets for each division were calculated as at 30 June 2018 and the results for the significant balances are disclosed in Goodman's 2018 annual report.

At 31 December 2018, management has assessed that there have been no changes in factors or circumstances that would significantly impact the cash flows and discount rates used at 30 June 2018 and accordingly there have been no impairments or reversals of impairments during the half year.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Capital management

8 Net finance expense

	Goodman		GIT	
	2018	2017	2018	2017
	\$M	\$M	\$M	\$M
Finance income				
Interest income from:				
- Related parties	0.2	0.5	37.9	49.3
- Other parties	21.0	15.1	19.5	13.9
Foreign exchange gains ¹	-	15.8	11.7	47.6
	21.2	31.4	69.1	110.8
Finance expense				
Interest expense from third party loans, overdrafts and derivatives	(47.0)	(40.9)	(45.1)	(31.2)
Interest expense from related party loans	-	-	(7.9)	(1.8)
Debt restructure expense	-	(82.1)	-	(82.1)
Other borrowing costs	(3.3)	(5.4)	(1.8)	(4.2)
Fair value adjustments on derivative financial instruments	(45.1)	(80.0)	(28.6)	(79.8)
Foreign exchange losses ¹	(11.4)	-	-	-
Capitalised borrowing costs	9.0	9.2	-	-
	(97.8)	(199.2)	(83.4)	(199.1)
Net finance expense	(76.6)	(167.8)	(14.3)	(88.3)

1. The foreign exchange gains/losses in Goodman and GIT included a loss of \$11.2 million (2017: gain of \$15.7 million) relating to unrealised gains/losses on translation of interest bearing liabilities which do not qualify for net investment hedging.

9 Interest bearing liabilities

	Note	Goodman		GIT	
		31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
		\$M	\$M	\$M	\$M
Current					
Secured:					
- Bank loans	9(a)	-	7.1	-	-
Borrowing costs		-	(0.1)	-	-
Unsecured:					
- GBP denominated notes	9(c)	-	215.9	-	215.9
		-	222.9	-	215.9
Non-current					
Secured:					
- Bank loans	9(a)	-	21.2	-	-
Unsecured:					
- Bank loans	9(b)	97.1	91.6	-	-
- USD denominated notes	9(d)	1,905.4	1,823.5	1,905.4	1,823.5
- EUR denominated notes	9(e)	812.9	789.6	812.9	789.6
- Foreign private placement	9(f)	161.8	152.6	161.8	152.6
Borrowing costs		(18.7)	(19.9)	(16.4)	(16.7)
		2,958.5	2,858.6	2,863.7	2,749.0

(a) Bank loans, secured

The secured bank loans in the prior period related to facilities funding the operations in Brazil. The facility was repaid in full during the half year.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Capital management (cont)

9 Interest bearing liabilities (cont)

(b) Bank loans, unsecured

Facility maturity date	Goodman		GIT	
	Facility limit	Amounts drawn	Facility limit	Amounts drawn
	\$M	\$M	\$M	\$M
31 Jul 2019	90.5	-	90.5	-
31 Jan 2021	50.0	-	50.0	-
31 Jul 2021	142.0	-	142.0	-
31 Mar 2022	75.0	-	75.0	-
30 Sep 2022	53.2	-	53.2	-
30 Sep 2022	37.5	-	37.5	-
30 Sep 2022	103.6	33.9	-	-
30 Sep 2022	194.2	63.2	-	-
30 Sep 2022	194.2	-	-	-
31 Dec 2022	75.0	-	75.0	-
31 Dec 2022	50.0	-	50.0	-
31 Dec 2022	121.9	-	121.9	-
31 Dec 2018	1,187.1	97.1	695.1	-
30 Jun 2018	1,144.9	91.6	681.0	-

The majority of the unsecured bank loans are multi-currency facilities.

(c) GBP denominated notes

At 30 June 2018, Goodman and GIT had A\$215.9 million of GBP denominated notes issued under Goodman's Euro medium-term note programme. The notes were repaid on their maturity in July 2018.

(d) USD denominated notes

As at 31 December 2018, Goodman and GIT had notes on issue in the United States 144A/Reg S bond market as follows:

Notes maturity date	Carrying amount		Face value		Coupon (fixed)
	A\$M	US\$M	A\$M	US\$M	per annum
	15 Apr 2021	266.1	187.4	247.8	174.5
22 Mar 2022	432.4	304.5	396.5	279.3	6.000%
15 Mar 2028	745.4	525.0	745.4	525.0	3.700%
15 Oct 2037	461.5	325.0	461.5	325.0	4.500%
31 Dec 2018	1,905.4	1,341.9	1,851.2	1,303.8	
30 Jun 2018	1,823.5	1,348.4	1,763.3	1,303.8	

(e) EUR denominated notes

As at 31 December 2018, Goodman and GIT had A\$812.9 million (30 June 2018: A\$789.6 million) (€500.0 million) Reg S EUR denominated senior notes on issue. The notes have a fixed coupon of 1.375% per annum and mature on 27 September 2025.

(f) Foreign private placement

As at 31 December 2018, Goodman and GIT had A\$161.8 million (30 June 2018: A\$152.6 million)(¥12.5 billion) in a foreign private placement denominated in Japanese yen. The facility has a fixed coupon of 3.32% per annum payable semi-annually and expires on 3 April 2023.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Capital management (cont)

9 Interest bearing liabilities (cont)

(g) Finance facilities

	Goodman		GIT	
	Facilities available \$M	Facilities utilised \$M	Facilities available \$M	Facilities utilised \$M
At 31 December 2018				
Unsecured:				
- Bank loans	1,187.1	97.1	695.1	-
- USD denominated notes ¹	1,851.2	1,851.2	1,851.2	1,851.2
- EUR denominated notes	812.9	812.9	812.9	812.9
- Foreign private placement	161.8	161.8	161.8	161.8
- Bank guarantees ²	-	27.4	-	-
	4,013.0	2,950.4	3,521.0	2,825.9
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	789.6	789.6	789.6	789.6
- Foreign private placement	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

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.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Capital management (cont)

10 Financial instruments

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			
	Carrying amount 31 Dec 2018	Fair value 31 Dec 2018	Carrying amount 30 Jun 2018 Restated ⁴	Fair value 30 Jun 2018 Restated ⁴	Carrying amount 31 Dec 2018	Fair value 31 Dec 2018	Carrying amount 30 Jun 2018	Fair value 30 Jun 2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets								
Cash and cash equivalents	2,062.6	2,062.6	2,406.8	2,406.8	1,794.4	1,794.4	2,129.7	2,129.7
Receivables	450.6	450.6	536.5	536.5	3,228.0	3,228.0	3,169.9	3,169.9
Other financial assets:								
- Interest rate swaps (IRS)	38.3	38.3	25.5	25.5	38.3	38.3	25.5	25.5
- Cross currency interest rate swaps (CCIRS) ¹	171.4	171.4	135.8	135.8	171.4	171.4	135.8	135.8
- Foreign exchange contracts (FEC)	41.4	41.4	27.4	27.4	69.0	69.0	38.2	38.2
- Investments in unlisted securities	2.7	2.7	0.7	0.7	27.1	27.1	22.6	22.6
	2,767.0	2,767.0	3,132.7	3,132.7	5,328.2	5,328.2	5,521.7	5,521.7
Financial liabilities								
Payables	547.7	547.7	587.2	587.2	1,113.9	1,113.9	1,008.3	1,008.3
Interest bearing liabilities ²	2,958.5	2,875.0	3,081.5	3,022.1	2,863.7	2,777.9	2,964.9	2,902.2
Other financial liabilities:								
- IRS	3.6	3.6	4.2	4.2	3.6	3.6	4.2	4.2
- CCIRS ³	182.3	182.3	117.6	117.6	182.3	182.3	117.6	117.6
- FEC	32.1	32.1	27.1	27.1	32.1	32.1	27.1	27.1
	3,724.2	3,640.7	3,817.6	3,758.2	4,195.6	4,109.8	4,122.1	4,059.4

1. Includes fair values of derivative financial instruments equating to \$204.4 million (30 June 2018: \$154.3 million) that are adjusted for in the Group's gearing calculation.

2. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 31 December 2018.

3. Includes fair values of derivative financial instruments equating to \$81.1 million (30 June 2018: \$31.9 million) that are adjusted for in the Group's gearing calculation.

4. The comparative figures have been restated to reflect the allocation of certain receivables and payables to contract assets and liabilities in accordance with AASB 15. Details of these are set out in note 1(d).

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Capital management (cont)

10 Financial instruments (cont)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (refer to note 1(c)):

	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 31 December 2018								
Available for sale financial assets	-	-	2.7	2.7	-	-	27.1	27.1
Derivative financial assets	-	251.1	-	251.1	-	278.7	-	278.7
	-	251.1	2.7	253.8	-	278.7	27.1	305.8
Derivative financial liabilities	-	218.0	-	218.0	-	218.0	-	218.0
	-	218.0	-	218.0	-	218.0	-	218.0
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

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. Fair values also reflect the current creditworthiness of the derivative counterparties.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Capital management (cont)

11 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. Details of distributions recognised during the half year were as follows:

	Dividends/ distributions cents per security	Total amount \$M	Date of payment
HY19 dividends/distributions			
GL	-	-	n/a
GIT	15.00	272.1	26 Feb 2019
GLHK	-	-	n/a

	Dividends/ distributions cents per security	Total amount \$M	Date of payment
HY18 dividends/distributions			
GL	-	-	n/a
GIT	13.75	247.6	26 Feb 2018
GLHK	-	-	n/a

12 Issued capital

	Goodman		GIT	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Number of securities		\$M	\$M
Stapled securities				
- issued and fully paid	1,813,881,995	1,800,763,877	8,192.2	8,192.2
Less: Accumulated issue costs			(160.5)	(160.5)
Total issued capital			8,031.7	8,031.7
			7,477.3	7,381.3

Terms and conditions

Stapled security means one share in the Company stapled to one unit in GIT and one CDI over an ordinary share of 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.

Date	Details	Number of securities	Goodman \$M	GIT \$M
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 Goodman LTIP	11,642,734	-	70.8
30 Jun 2018	Balance before accumulated issue costs	1,800,763,877	8,192.2	7,529.8
31 Aug 2018	Securities issued to employees under the Goodman LTIP	13,118,118	-	96.0
	Less: Accumulated issue costs		(160.5)	(148.5)
31 Dec 2018	Closing balance	1,813,881,995	8,031.7	7,477.3

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Other items

13 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 13(a), 13(b) and 13(c) provide an analysis of equity, profit for the half year and total comprehensive income for the half 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

Goodman	Attributable to Goodman Limited							Total
	Issued capital	Asset revaluation reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	(Accumulated losses)/ retained earnings	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2017	483.2	-	(27.9)	12.2	(31.4)	(47.1)	(70.0)	366.1
Total comprehensive income/(loss) for the half year								
Profit for the half year	-	-	-	-	-	-	71.2	71.2
Other comprehensive (loss)/income								
Effect of foreign currency translation	-	-	(23.5)	-	(0.7)	(24.2)	-	(24.2)
Actuarial gains on defined benefit superannuation funds	-	-	-	-	3.3	3.3	-	3.3
Total comprehensive income/(loss) for the half year, net of income tax	-	-	(23.5)	-	2.6	(20.9)	71.2	50.3
Transfers	-	-	-	(42.8)	-	(42.8)	42.8	-
Contributions by and distributions to owners								
Equity settled share based payments transaction	-	-	-	46.2	-	46.2	-	46.2
Balance at 31 December 2017	483.2	-	(51.4)	15.6	(28.8)	(64.6)	44.0	462.6
Balance at 1 July 2018	483.2	-	(50.8)	20.9	(26.1)	(56.0)	155.3	582.5
Total comprehensive income/(loss) for the half year								
Profit for the half year	-	-	-	-	-	-	81.9	81.9
Other comprehensive income/(loss)								
Effect of foreign currency translation	-	-	29.6	-	(0.4)	29.2	-	29.2
Total comprehensive income/(loss) for the half year, net of income tax	-	-	29.6	-	(0.4)	29.2	81.9	111.1
Transfers	-	-	-	(52.6)	-	(52.6)	52.6	-
Contributions by and distributions to owners								
Equity settled share based payments transaction	-	-	-	53.3	-	53.3	-	53.3
Balance at 31 December 2018	483.2	-	(21.2)	21.6	(26.5)	(26.1)	289.8	746.9

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Other items (cont)

13 Equity attributable to Goodman Limited and non-controlling interests (cont)

(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	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	Retained earnings	Total	Other non- controlling interests
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 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 half year									
Profit for the half year	-	-	-	-	-	-	471.5	471.5	4.6
Other comprehensive (loss)/income									
Effect of foreign currency translation	-	(0.3)	-	61.1	-	60.8	-	60.8	-
Other changes	-	(0.4)	1.1	-	-	0.7	-	0.7	-
Total comprehensive (loss)/income for the half year, net of income tax	-	(0.7)	1.1	61.1	-	61.5	471.5	533.0	4.6
Transfers	-	-	-	-	-	-	(1.2)	(1.2)	1.2
Contributions by and distributions to owners									
Distributions on stapled securities	-	-	-	-	-	-	(247.6)	(247.6)	-
Distributions on Goodman PLUS	-	-	-	-	-	-	-	-	(4.6)
Equity settled share based payments transaction	-	-	-	-	(4.8)	(4.8)	-	(4.8)	-
Repurchase of Goodman PLUS	-	-	-	-	-	-	-	-	(327.0)
Balance at 31 December 2017	7,548.5	(6.8)	(0.3)	(60.4)	114.6	47.1	614.1	8,209.7	-
Balance at 1 July 2018	7,548.5	(6.9)	1.5	96.1	150.3	241.0	801.7	8,591.2	-
Total comprehensive (loss)/income for the half year									
Profit for the half year	-	-	-	-	-	-	847.3	847.3	-
Other comprehensive (loss)/income									
Effect of foreign currency translation	-	(0.2)	0.1	101.3	-	101.2	-	101.2	-
Other changes	-	-	(2.1)	-	-	(2.1)	-	(2.1)	-
Total comprehensive (loss)/income for the half year, net of income tax	-	(0.2)	(2.0)	101.3	-	99.1	847.3	946.4	-
Contributions by and distributions to owners									
Distributions on stapled securities	-	-	-	-	-	-	(272.1)	(272.1)	-
Equity settled share based payments transaction	-	-	-	-	(5.3)	(5.3)	-	(5.3)	-
Balance at 31 December 2018	7,548.5	(7.1)	(0.5)	197.4	145.0	334.8	1,376.9	9,260.2	-

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Other items (cont)

13 Equity attributable to Goodman Limited and non-controlling interests (cont)

(c) Other non-controlling interests

At 1 July 2017, Goodman PLUS Trust, a controlled entity of the Trust, had on issue 3.27 million hybrid securities (Goodman PLUS) that were presented as non-controlling interests. In October 2017, a distribution of \$4.6 million was paid to Goodman PLUS holders and Goodman then repurchased all the Goodman PLUS on issue, at par, for \$327 million.

14 Commitments

Development activities

At 31 December 2018, Goodman was committed to expenditure in respect of \$249.0 million (30 June 2018: \$264.3 million) on inventories and other development activities. GIT has no such commitments (30 June 2018: \$nil).

Investment properties

At 31 December 2018, capital expenditure commitments on Goodman's investment property portfolio were \$46.2 million (30 June 2018: \$16.9 million). GIT had \$2.8 million of such commitments (30 June 2018: \$nil).

Managed partnerships

At 31 December 2018, the Group had an equity commitment of \$65.0 million (30 June 2018: \$63.2 million) into GEP. The 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 (this facility expires at 31 December 2019) and €25 million of the issued capital of GEP each half year subject to a cumulative maximum of €150 million. 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:

- + \$388.5 million (30 June 2018: \$371.8 million) into GJDP;
- + \$886.7 million (30 Jun 2018: \$396.0 million) into GCLP;
- + \$264.1 million (30 Jun 2018: \$269.7 million) into GUKP;
- + \$1,216.4 million (30 Jun 2018: \$1,406.7 million) into GNAP; and
- + \$910.6 million (30 Jun 2018: \$875.2) into Goodman Brazil Logistics Partnership (GBLP).

GIT would contribute its proportionate share of investments in GNAP and GBLP.

Goodman Group
Notes to the interim financial statements
for the half year ended 31 December 2018

Other items (cont)

15 Related parties

Transactions with associates and JVs

The transactions with managed partnerships during the half year were as follows:

	Goodman						GIT	
	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to associates and JVs		Revenue from disposal of investment properties	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Associates	-	2,105.5	546,164.4	374,684.4	16.6	237.3	-	2,105.5
JVs	-	-	115,157.0	177,338.3	157.4	274.9	-	-

16 Events subsequent to balance date

Other than as disclosed elsewhere in the interim financial statements, there has not arisen in the interval between the end of the half year and the date of this interim 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.

**Goodman Group
Directors' declaration**

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 interim financial statements and the accompanying notes of Goodman Limited and its controlled entities and Goodman Industrial Trust and its controlled entities 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 31 December 2018 and of their performance for the half 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.

Signed in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman

Sydney, 14 February 2019



Gregory Goodman
Group Chief Executive Officer



Independent Auditor's Review Report

To the stapled security holders of Goodman Group and the unitholders of Goodman Industrial Trust

Conclusions

We have reviewed the accompanying **Interim Financial Report** of Goodman Limited (the Company) as the deemed parent presenting the stapled security arrangement of the **Goodman Group** (the Goodman Group Interim Financial Report).

We have also reviewed the **Interim Financial Statements** of Goodman Industrial Trust (the Trust Interim Financial Report).

Based on our reviews, which are not audits, we have not become aware of any matter that makes us believe that each of the Goodman Group Interim Financial Report and the Trust Interim Financial Report are not 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 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The content of each of the Goodman Group and Trust **Interim Financial Report** comprise:

- Consolidated interim statement of financial position as at 31 December 2018;
- Consolidated interim income statement, Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim cash flow statement for the half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and

(collectively referred to as **Financial Statements**)

- The Directors' Declaration.

The **Goodman Group** consists of Goodman Limited and the entities it controlled at the half-year's end or from time to time during the half-year, Goodman Industrial Trust (the **Trust**) and the entities it controlled at the half year's end or from time to time during the half-year, and Goodman Logistics (HK) Limited and the entities it controlled at the half year's end or from time to time during the half-year.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company and Goodman Funds Management Limited (the Responsible Entity of the Trust) are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the reviews of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our reviews. We conducted our reviews in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Goodman Group and the Trust's financial positions as at 31 December 2018 and their performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Goodman Limited and Goodman Industrial Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audits of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our reviews, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Eileen Hoggett
Partner

Sydney
14 February 2019

Goodman Logistics (HK) Limited
ARBN 155 911 149
and its subsidiaries
Condensed interim financial report for the half year ended 31 December 2018

Contents	Page
Report of the directors	A2
Consolidated interim statement of financial position	A4
Consolidated interim statement of comprehensive income	A5
Consolidated interim statement of changes in equity	A6
Consolidated interim cash flow statement	A7
Notes to the condensed interim financial report	
Basis of preparation	
1 Basis of preparation	A8
Results for the half year	
2 Profit before interest and income tax	A12
3 Segment reporting	A12
Operating assets and liabilities	
4 Property assets	A14
5 Receivables	A17
6 Payables	A17
Capital management	
7 Finance income and expense	A18
8 Other financial assets	A18
9 Dividends	A19
10 Share capital	A19
Other items	
11 Reserves	A20
12 Retained earnings	A20
13 Related party transactions	A21
14 Events subsequent to the reporting date	A21
Independent auditor's review report	A22

Goodman Logistics (HK) Limited and its subsidiaries
Report of the directors
for the half year ended 31 December 2018

The directors have pleasure in submitting their condensed interim financial report for Goodman Logistics (HK) Limited (Company) and its subsidiaries (collectively referred to as the Consolidated Entity) for the half year ended 31 December 2018 (half year).

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 controlled entities are known as Goodman Group. Goodman Group is listed on the Australian Securities Exchange.

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.

Condensed interim financial statements

The results of the Consolidated Entity for the half year ended 31 December 2018 and the state of the Consolidated Entity's affairs at that date are set out in the condensed interim financial statements on pages A4 to A21.

No interim dividends were declared in respect of the current and prior half year. In the current half year, the Company paid a final dividend of 5.0 cents per share amounting to \$90.0 million relating to performance in the 2018 financial year.

Directors

The directors during the half year and up to the date of this report were:

Directors

Ian Douglas Ferrier, AM
David Jeremy Collins
Gregory Leith Goodman (alternate director to Ian Douglas Ferrier)
Daniel Cornelius D. Peeters

State of affairs

There were no significant changes in the Consolidated Entity's state of affairs during the half year.

Goodman Logistics (HK) Limited and its subsidiaries
Report of the directors
for the half year ended 31 December 2018

Events subsequent to the reporting date

There has not arisen in the interval between the end of the half 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.

By order of the board



Ian Douglas Ferrier, AM
Independent Chairman



David Jeremy Collins
Director

Hong Kong, 14 February 2019

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of financial position
as at 31 December 2018

(expressed in Australian dollars)

	Consolidated		
	Note	31 Dec 2018	30 Jun 2018
		\$M	Restated¹
		\$M	\$M
Current assets			
Cash		174.3	115.5
Inventories	4(b)	84.6	172.2
Receivables	5	593.0	518.6
Contract assets		259.8	141.0
Current tax receivables		2.7	2.5
Other assets		2.3	4.2
Total current assets		1,116.7	954.0
Non-current assets			
Inventories	4(b)	210.5	196.0
Investments accounted for using the equity method	4(b)	1,041.5	907.2
Receivables	5	92.4	57.5
Other financial assets	8	24.7	21.5
Deferred tax assets		0.1	0.2
Other assets		12.2	10.5
Total non-current assets		1,381.4	1,192.9
Total assets		2,498.1	2,146.9
Current liabilities			
Payables	6	957.5	883.0
Contract liabilities		5.2	21.9
Current tax payables		29.4	14.5
Employee benefits		21.3	21.5
Dividend payable	9	-	90.0
Total current liabilities		1,013.4	1,030.9
Non-current liabilities			
Payables	6	239.5	143.6
Contract liabilities		3.8	3.7
Deferred tax liabilities		4.9	4.7
Total non-current liabilities		248.2	152.0
Total liabilities		1,261.6	1,182.9
Net assets		1,236.5	964.0
Equity attributable to Shareholders			
Share capital	10	696.0	674.6
Reserves	11	(470.5)	(459.6)
Retained earnings	12	984.3	726.6
Total equity attributable to Shareholders		1,209.8	941.6
Non-controlling interests		26.7	22.4
Total equity		1,236.5	964.0

1. Refer to note 1(c).

The notes on pages A8 to A21 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of comprehensive income
for the half year ended 31 December 2018

(expressed in Australian dollars)

	Note	Consolidated	
		2018 \$M	2017 \$M
Revenue			
Gross property income		3.8	5.7
Management income		122.6	81.6
Development income	2	479.8	439.2
Dividends from investments		-	1.3
		606.2	527.8
Property and development expenses			
Property expenses		(1.4)	(1.3)
Development expenses	2	(324.5)	(324.0)
		(325.9)	(325.3)
Other income/(losses)			
Share of net results of equity accounted investments	4(e)	103.0	88.8
Net gain/(loss) on disposal of equity accounted investments		6.2	(1.3)
		109.2	87.5
Other expenses			
Employee expenses		(60.4)	(43.7)
Share based payments expense		(22.8)	(14.2)
Administrative and other expenses		(13.4)	(11.4)
Impairment reversals		-	0.2
		(96.6)	(69.1)
Profit before interest and income tax		292.9	220.9
Net finance income/(expense)			
Finance income	7	2.4	1.5
Finance expense	7	(14.3)	(13.4)
Net finance expense		(11.9)	(11.9)
Profit before income tax		281.0	209.0
Income tax expense		(19.7)	(13.8)
Profit for the half year		261.3	195.2
Profit for the half year attributable to:			
Shareholders	12	257.7	192.0
Non-controlling interests		3.6	3.2
Profit for the half year		261.3	195.2
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Effect of foreign currency translation		(10.5)	34.1
Other comprehensive (loss)/income for the half year		(10.5)	34.1
Total comprehensive income for the half year		250.8	229.3
Total comprehensive income for the half year attributable to:			
Shareholders		246.5	225.8
Non-controlling interests		4.3	3.5
Total comprehensive income for the half year		250.8	229.3

The notes on pages A8 to A21 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim statement of changes in equity
for the half year ended 31 December 2018

(expressed in Australian dollars)

Half year ended 31 December 2017

Consolidated	Attributable to Shareholders						Total equity
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity	
	Note	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2017		661.1	(548.7)	554.0	666.4	23.6	690.0
Total comprehensive income for the half year							
Profit for the half year	12	-	-	192.0	192.0	3.2	195.2
Other comprehensive income for the half year		-	33.8	-	33.8	0.3	34.1
Total comprehensive income for the half year, net of income tax		-	33.8	192.0	225.8	3.5	229.3
Contributions by and distributions to owners							
Issue of shares to employees of Goodman Group	10	13.5	-	-	13.5	-	13.5
Balance at 31 December 2017		674.6	(514.9)	746.0	905.7	27.1	932.8

Half year ended 31 December 2018

Consolidated	Attributable to Shareholders						Total equity
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity	
	Note	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2018		674.6	(459.6)	726.6	941.6	22.4	964.0
Total comprehensive income for the half year							
Profit for the year	12	-	-	257.7	257.7	3.6	261.3
Other comprehensive (loss)/income for the half year		-	(11.2)	-	(11.2)	0.7	(10.5)
Total comprehensive (loss)/income for the half year, net of income tax		-	(11.2)	257.7	246.5	4.3	250.8
Contributions by and distributions to owners							
Issue of shares to employees of Goodman Group	10	21.4	-	-	21.4	-	21.4
Equity settled share based payments transactions	11(c)	-	0.3	-	0.3	-	0.3
Balance at 31 December 2018		696.0	(470.5)	984.3	1,209.8	26.7	1,236.5

The notes on pages A8 to A21 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated interim cash flow statement
for the half year ended 31 December 2018

(expressed in Australian dollars)

	Consolidated	
	2018	2017
	\$M	\$M
Cash flows from operating activities		
Property income received	3.8	7.5
Cash receipts from development activities	349.0	519.1
Other cash receipts from services provided	66.0	51.0
Property expenses paid	(1.5)	(1.5)
Payments for development activities	(186.8)	(249.8)
Other cash payments in the course of operations	(75.1)	(74.9)
Dividends/distributions received	7.2	29.1
Interest received	0.2	0.2
Finance costs paid	(0.3)	(0.5)
Net income taxes paid	(5.8)	(13.1)
Net cash provided by operating activities	156.7	267.1
Cash flows from investing activities		
Payments for investment properties	-	(0.1)
Proceeds from disposal of equity accounted investments	6.3	-
Capital return from equity accounted investments	0.3	57.1
Payments for equity investments	(43.8)	(97.6)
Payments for plant and equipment	(0.3)	(0.3)
Net cash used in investing activities	(37.5)	(40.9)
Cash flows from financing activities		
Net proceeds from loans with related parties	22.9	(250.9)
Dividend paid	(90.0)	-
Net cash used in financing activities	(67.1)	(250.9)
Net increase/(decrease) in cash held	52.1	(24.7)
Cash at the beginning of the half year	115.5	107.9
Effect of exchange rate fluctuations on cash held	6.7	(1.0)
Cash at the end of the half year	174.3	82.2

The notes on pages A8 to A21 form part of this condensed interim financial report.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

(expressed in Australian dollars)

Basis of preparation

1 Basis of preparation

(a) Statement of compliance

This condensed interim financial report of the Company as at and for the half year ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interests in joint ventures (JVs).

This condensed interim financial report has been prepared on a going concern basis and in accordance with HKAS 34 *Interim financial reporting*. The condensed interim financial report is presented in Australian dollars and was authorised for issue by the directors on 14 February 2019.

In accordance with the stapling agreement between the Company, GL and Goodman Funds Management Limited as responsible entity for 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 or 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.

The condensed interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the Consolidated Entity as at and for the year ended 30 June 2018.

The financial information relating to the year ended 30 June 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual report for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- + the Company has delivered the financial statements for the year ended 30 June 2018 to the Registrar of Companies in accordance with section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance; and
- + the Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not include a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

(b) Critical accounting estimates used in the preparation of the condensed interim financial report

The preparation of the condensed interim financial report 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 note 4 – Property assets.

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.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Basis of preparation (cont)

1 Basis of preparation (cont)

(b) Critical accounting estimates used in the preparation of the condensed interim financial report (cont)

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 relation to the Consolidated Entity's property assets are included in note 4.

(c) Changes in accounting policies

Except as disclosed below, the accounting policies applied in these interim financial statements are the same as those applied by the Consolidated Entity in the financial statements for the year ended 30 June 2018.

The Consolidated Entity has adopted HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, with a date of initial application of 1 July 2018.

HKFRS 9 *Financial Instruments*

HKFRS 9 sets out the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, hedge accounting and impairment of financial assets. HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*.

(i) Classification and measurement

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available for sale financial assets and financial assets measured at fair value through profit or loss. The adoption of HKFRS 9 has not had a material impact on the results of the Consolidated Entity. Under the standard, the Consolidated Entity may elect to classify its available for sale equity 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 through other comprehensive income.

(ii) Impairment of financial assets

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost and contract assets. The financial assets held by the Consolidated Entity that are subject to the new expected credit loss model include cash and cash equivalents, trade receivables, amounts and loans due from related parties and other receivables.

The Consolidated Entity is required to revise the impairment methodology under HKFRS 9 for each of these classes of assets. The change in methodology did not have a material impact on the results of the Consolidated Entity.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 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 adoption of HKFRS 15 has resulted in a change in accounting policy for revenue recognition associated with inventory disposals, such that revenue is recognised on transfer of control of the asset rather than the transfer of the significant risks and rewards associated with the asset. This change has not had a material impact on the revenue, profit and net assets reported in previous periods but the consolidated statement of financial position now includes additional captions for "Contract assets" and "Contract liabilities". In accordance with the transition provisions in HKFRS 15, the Consolidated Entity has adopted the new rules retrospectively and has restated the comparative statement of financial position at 30 June 2018.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Basis of preparation (cont)

1 Basis of preparation (cont)

(c) Changes in accounting policies (cont)

The following adjustments were made to the amounts recognised in the comparative statement of financial position at the date of initial application:

	Impact of adopting HKRFS 15		
	As previously reported 30 Jun 2018 \$M	Adjustments \$M	Restated 1 Jul 2018 \$M
Current assets			
Receivables	659.6	(141.0)	518.6
Contract assets	-	141.0	141.0
Total current assets	659.6	-	659.6
Current liabilities			
Payables	904.9	(21.9)	883.0
Contract liabilities	-	21.9	21.9
Total current liabilities	904.9	-	904.9
Non-current liabilities			
Payables	147.3	(3.7)	143.6
Contract liabilities	-	3.7	3.7
Total non-current liabilities	147.3	-	147.3

Contract assets

Contact assets relate to accrued development income, amounts recoverable on development contracts and accrued performance fees. These were previously presented as part of receivables.

Contract liabilities

Contract liabilities relate to consideration received in advance of the completion of development contracts and rental guarantees. These were previously recognised as payables.

The Consolidated Entity's accounting policies for revenue recognition are detailed below.

Management and development income

The revenue from management and development activities is measured based on the consideration specified in a contract with a customer. The Consolidated Entity recognises revenue when it transfers control over a product or service to a customer.

Management income

Fee income derived from investment management and property services is recognised and invoiced progressively as the services are provided. Customers make payments usually either monthly or quarterly in arrears.

Performance related investment management income is recognised progressively as the services are provided but only when the income can be reliably measured and is highly probable of not being reversed. These portfolio performance fees are typically dependent on the overall returns of a partnership relative to an agreed benchmark return, assessed over the life of the partnership, which can vary from one year to seven years. The returns are impacted by operational factors such as quality and location of the portfolio, active property management and rental income rates but can also be significantly affected by changes in global and local economic conditions. Accordingly, performance fee revenue is only recognised at a point close to the end of the relevant assessment period, as prior to this revenue recognition is not considered to be sufficiently certain.

In determining the amount of revenue that can be reliably measured, management prepares a sensitivity analysis to understand the impact of changes in asset valuations on the potential performance fee at the assessment date. The assessment of revenue will depend on the prevailing market conditions at the reporting date relative to long-term averages and also the length of time until the assessment date e.g. the longer the time period to assessment date, the greater the impact of the sensitivity analysis. The potential portfolio performance fee revenue is then recognised based on the length of time from the start of the assessment period to the reporting date as a proportion of the total assessment period. Payments are made at the end of the performance periods.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Basis of preparation (cont)

1 Basis of preparation (cont)

(c) Changes in accounting policies (cont)

Development income – disposal of inventories

The disposal of inventories is recognised at the point in time when control over the property asset is transferred to the customer. This will generally occur on transfer of legal title and payment in full by the customer. 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 is included in the profit or loss in the period of disposal.

Development income – development management services

Fee income from development management services (including master-planning, development management and overall project management) is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs. Payments are received in accordance with the achievement of agreed milestones over the development period. The development period is usually between six months and twelve months.

Performance related development management income is recognised by the Consolidated Entity on attainment of the performance related conditions, which is when the income can be reliably measured and is highly probable of not being reversed. These amounts are paid by the partnership when the amounts have been measured and agreed.

Development income – fixed price development contracts

Certain development activities are assessed as being fixed price development contracts. This occurs when a signed contract exists, either prior to the commencement of or during the development phase, to acquire a development asset from the Consolidated Entity on completion. Revenue and expenses relating to these development contracts are recognised in the profit or loss in proportion to the stage of completion of the relevant contracts by reference to costs. The payments may be on completion of the development once legal title has been transferred. The development phase is usually between six months and twelve months but may be longer.

(d) Accounting standards issued but not yet effective

The Consolidated Entity has not applied any Hong Kong Accounting Standards available for early adoption in the preparation of these financial statements.

As detailed in the 30 June 2018 financial statements, HKFRS 16 *Leases* 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 Consolidated Entity's future minimum lease payments based on the non-cancellable operating leases that have been entered into by 31 December 2018, amount to \$41.6 million for development land and \$29.9 million for other leases.

Upon the initial adoption of HKFRS 16 at 1 July 2019, the present value of the future minimum lease payments for leases with a term of more than twelve months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Consolidated Entity will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Results for the half year

2 Profit before interest and income tax

Profit before interest and income tax has been arrived at after crediting/(charging) the following items:

	Consolidated	
	2018	2017
	\$M	\$M
Income from disposal of inventories	217.2	177.1
Net gain on disposal of special purpose development entities	4.2	14.9
Other development income	258.4	247.2
Development income	479.8	439.2
Inventory cost of sales	(151.3)	(139.4)
Other development expenses	(173.2)	(184.6)
Development expenses	(324.5)	(324.0)

3 Segment reporting

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (which consists of Greater China 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 fund 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.

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated statement of comprehensive income								
External revenue								
Gross property income	0.7	2.4	3.1	3.3	-	-	3.8	5.7
Management income	35.5	54.2	87.1	27.4	-	-	122.6	81.6
Development income	25.7	31.1	454.1	408.1	-	-	479.8	439.2
Dividends from investments	-	1.3	-	-	-	-	-	1.3
Total external revenue	61.9	89.0	544.3	438.8	-	-	606.2	527.8
Analysis of external revenue:								
Rental income (excludes outgoings recoveries)	0.7	2.2	2.1	3.1	-	-	2.8	5.3
Assets and services transferred at a point in time	12.7	22.4	223.1	188.1	-	-	235.8	210.5
Assets and services transferred over time	48.5	64.4	319.1	247.6	-	-	367.6	312.0
Total external revenues	61.9	89.0	544.3	438.8	-	-	606.2	527.8
Reportable segment profit before income tax¹	49.8	102.4	208.3	98.0	1.8	0.7	259.9	201.1
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)	6.7	32.9	5.4	3.2	1.8	0.7	13.9	36.8
Material non-cash items not included in reportable segment profit before income tax								
Share of fair value adjustments in equity accounted investments	61.6	32.9	14.3	10.0	13.2	9.1	89.1	52.0

1. Reportable segment profit before income tax comprises profit attributable to Shareholders adjusted for property valuations, impairment losses, other non-cash or non-recurring items and net finance expense.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Results for the half year (cont)

3 Segment reporting (cont)

	Asia		Continental Europe		United Kingdom		Total	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated statement of financial position								
Reportable segment assets	1,085.4	979.8	827.5	696.0	144.6	109.8	2,057.5	1,785.6
Investments accounted for using the equity method (included in reportable segment assets)	759.7	675.5	146.1	122.3	135.7	109.4	1,041.5	907.2
Total non-current assets	863.0	773.1	382.7	310.4	135.7	109.4	1,381.4	1,192.9
Reportable segment liabilities	50.8	50.3	78.2	83.1	-	-	129.0	133.4

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2018	2017
	\$M	\$M
Revenue		
Total revenue for reportable segments	606.2	527.8
Consolidated revenue	606.2	527.8
Profit or loss		
Total profit before income tax for reportable segments	259.9	201.1
Corporate expenses not allocated to reportable segments	(33.3)	(18.2)
	226.6	182.9
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	89.1	52.0
- Share based payments expense	(22.8)	(14.2)
Net finance expense - refer to note 7	(11.9)	(11.9)
Consolidated profit before income tax	281.0	209.0
	31 Dec 2018	30 Jun 2018
	\$M	\$M
Assets		
Total assets for reportable segments	2,057.5	1,785.6
Other unallocated amounts ¹	440.6	361.3
Consolidated total assets	2,498.1	2,146.9
Liabilities		
Total liabilities for reportable segments	129.0	133.4
Other unallocated amounts ¹	1,132.6	1,049.5
Consolidated total liabilities	1,261.6	1,182.9

1. Other unallocated amounts comprise principally receivables from and payables to GL and GIT and their controlled entities.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Operating assets and liabilities

4 Property assets

(a) Types of property assets

The Consolidated Entity's investment in property assets include both inventories (held for development and sale) and investment properties (held for capital appreciation and gross property income).

The Consolidated Entity holds inventories directly and through its investments in managed partnerships. Investment properties are held through its 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 the Consolidated Entity's business. Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Inventories are classified as non-current assets unless they are contracted to be sold within twelve months of the end of the reporting period, in which case they are classified as current assets.

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 their 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.

(b) Summary of the Consolidated Entity's investment in property assets

	Note	Consolidated	
		31 Dec 2018	30 Jun 2018
		\$M	\$M
Directly held property:			
Inventories			
Current	4(d)	84.6	172.2
Non-current	4(d)	210.5	196.0
		295.1	368.2
Property held by managed partnerships:			
Investments accounted for using the equity method - JVs	4(e)	1,041.5	907.2
		1,041.5	907.2

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Operating assets and liabilities (cont)

4 Property assets (cont)

(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 knowledgeably, prudently and without compulsion.

Market assessment

At 31 December 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 discounted cash flow calculations. Overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	31 Dec 2018	30 Jun 2018
	%	%
Asia	5.8	6.1
Continental Europe	4.6	5.1
United Kingdom	4.5	4.7

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 the Consolidated Entity's investments in managed partnerships. However, certain managed partnerships do obtain independent valuations for investment properties under development each financial year.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Operating assets and liabilities (cont)

4 Property assets (cont)

(d) Inventories

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$M	\$M
Current		
Land and development properties	84.6	172.2
	84.6	172.2
Non-current		
Land and development properties	210.5	196.0
	210.5	196.0

(e) Investments accounted for using the equity method – JVs

The Consolidated Entity's principal managed partnerships are set out below:

Name	Country of establishment	Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2018	2017	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
		\$M	\$M	%	%	\$M	\$M
Property investment							
KWASA Goodman Germany ("KGG")	Luxembourg	18.4	13.2	19.3	19.7	141.0	121.8
Property development							
Goodman Japan Development Partnership ("GJDP")	Japan	0.8	18.4	50.0	50.0	138.9	125.1
Property investment and development							
Goodman China Logistics Partnership ("GCLP")	Cayman Islands	67.8	48.0	20.0	20.0	616.5	545.8
Goodman UK Partnership ("GUKP")	United Kingdom	15.0	9.8	33.3	33.3	135.7	109.4
Other JVs		1.0	(0.6)			9.4	5.1
		103.0	88.8			1,041.5	907.2

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Operating assets and liabilities (cont)

4 Property assets (cont)

(e) Investments accounted for using the equity method – JVs (cont)

The reconciliation of the carrying value at the beginning to the carrying value at the end of the half year is set out below:

	Consolidated	
	2018	2017
	\$M	\$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the half year	907.2	651.4
Share of net results after tax (before fair value adjustments)	13.9	36.8
Share of fair value adjustments	89.1	52.0
Share of net results after tax	103.0	88.8
Share of movements in reserves	(45.4)	16.3
Acquisitions	41.9	97.8
Capital return	(0.3)	(58.4)
Dividends/distributions received and receivable	(7.2)	(30.0)
Effect of foreign currency translation	42.3	(3.3)
Carrying amount at the end of the half year	1,041.5	762.6

5 Receivables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$M	Restated¹
	\$M	\$M
Current		
Trade receivables	34.4	45.5
Other receivables	45.2	41.6
Amounts due from related parties	72.9	66.0
Loans to related parties	440.5	365.5
	593.0	518.6
Non-current		
Loans to related parties	92.4	57.5
	92.4	57.5

1. The comparative figures have been restated to reflect the allocation of certain receivables/payables to contract assets/liabilities in accordance with HKFRS 15. Details of these are set out in note 1(c).

6 Payables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$M	Restated¹
	\$M	\$M
Current		
Trade payables	35.9	38.1
Other payables and accruals	44.3	46.8
Loans from related parties	877.3	798.1
	957.5	883.0
Non-current		
Other payables and accruals	49.5	44.7
Loans from related parties	190.0	98.9
	239.5	143.6

1. The comparative figures have been restated to reflect the allocation of certain receivables/payables to contract assets/liabilities in accordance with HKFRS 15. Details of these are set out in note 1(c).

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Capital management

7 Finance income and expense

		Consolidated	
		2018	2017
		\$M	\$M
Finance income			
Interest income on loans to:			
- Related parties	13	2.1	1.4
- Other parties		0.3	0.1
		2.4	1.5
Finance expense			
Interest expense on loans from related parties	13	(18.4)	(16.0)
Other borrowing costs		(0.2)	(0.3)
Foreign exchange loss		(0.2)	-
Capitalised borrowing costs		4.5	2.9
		(14.3)	(13.4)
Net finance expense		(11.9)	(11.9)

8 Other financial assets

Other financial assets relate to the Consolidated Entity's investments in equity securities and is carried at fair value. The fair value assessment is categorised as Level 3. There have been no changes in the significant unobservable inputs used to determine the fair value since 30 June 2018.

Reconciliation of Level 3 fair values

		Consolidated	
		2018	2017
		\$M	\$M
Carrying amount at the beginning of the half year		21.5	20.5
Acquisitions		1.8	-
Effect of foreign currency translation		1.4	(0.4)
Carrying amount at the end of the half year		24.7	20.1

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Capital management (cont)

9 Dividends

No interim dividends were declared in respect of the current and prior half year. In the current half year, the Company paid a final dividend of 5.0 cents per share amounting to \$90.0 million relating to performance in the 2018 financial year.

10 Share capital

	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Number of shares		\$M	\$M
Share capital	1,813,881,995	1,800,763,877	696.6	675.2
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			696.0	674.6

Details	Number of shares	Share capital \$M
Ordinary shares, issued and fully paid		
Balance at 1 July 2017	1,789,121,143	661.7
Shares issued to employees of Goodman Group ¹	11,642,734	13.5
Balance at 31 December 2017	1,800,763,877	675.2
Balance at 30 June 2018	1,800,763,877	675.2
Shares issued to employees of Goodman Group ¹	13,118,118	21.4
Balance at 31 December 2018	1,813,881,995	696.6

1. During the half year, the Company issued 13,118,118 (2017: 11,642,734) shares to employees of Goodman Group under the Goodman Group Long Term Incentive 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.

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Other items

11 Reserves

	Note	Consolidated	
		31 Dec 2018 \$M	30 Jun 2018 \$M
Asset revaluation reserve	11(a)	11.2	11.2
Foreign currency translation reserve	11(b)	35.1	46.3
Employee compensation reserve	11(c)	21.3	21.0
Common control reserve ¹	11(d)	(538.1)	(538.1)
Total reserves		(470.5)	(459.6)

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 are analysed below:

	Consolidated	
	2018 \$M	2017 \$M
(a) Asset revaluation reserve		
Balance at the beginning of the half year	11.2	11.2
Balance at the end of the half year	11.2	11.2
(b) Foreign currency translation reserve		
Balance at the beginning of the half year	46.3	(37.7)
Net exchange differences on conversion of foreign operations	(11.2)	33.8
Balance at the end of the half year	35.1	(3.9)
(c) Employee compensation reserve		
Balance at the beginning of the half year	21.0	15.9
Equity settled share based payment transactions	0.3	-
Balance at the end of the half year	21.3	15.9
(d) Common control reserve		
Balance at the beginning of the half year	(538.1)	(538.1)
Balance at the end of the half year	(538.1)	(538.1)

12 Retained earnings

	Consolidated	
	2018 \$M	2017 \$M
Balance at the beginning of the half year	726.6	554.0
Profit for the half year	257.7	192.0
Balance at the end of the half year	984.3	746.0

Goodman Logistics (HK) Limited and its subsidiaries
Notes to the condensed interim financial report
for the half year ended 31 December 2018

Other items (cont)

13 Related party transactions

Management and development activities and amounts due from related parties

	Management and development activities		Amounts due from related parties ¹	
	2018	2017	31 Dec 2018	30 Jun 2018
	\$M	\$M	\$M	\$M
JVs				
GCLP	33.9	28.8	-	29.6
KGG	39.5	106.4	-	-
	73.4	135.2	-	29.6
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	19.8	13.9	36.9	37.0
Goodman Australia Partnership	-	1.2	-	-
Goodman European Partnership	383.3	284.6	125.0	30.0
Other related parties	3.1	0.7	3.0	5.5
	406.2	300.4	164.9	72.5

1. Includes contract assets arising from transactions with related parties.

Financing arrangements with related parties

	Loans to related parties		Loans from related parties		Interest income/(expense) charged on loans to/from related parties	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	2018	2017
	\$M	\$M	\$M	\$M	\$M	\$M
JVs	79.5	40.5	-	-	0.2	0.3
GL, GIT and their controlled entities	440.5	361.3	(1,067.3)	(897.0)	(16.5)	(15.1)
Related parties of GL and GIT						
Goodman European Partnership	12.9	21.2	-	-	-	0.2
Related parties of GL and GIT	12.9	21.2	-	-	-	0.2
	532.9	423.0	(1,067.3)	(897.0)	(16.3)	(14.6)

14 Events subsequent to the reporting date

Other than disclosed elsewhere in the condensed interim financial report, there has not arisen in the interval between the end of the half 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.



**Independent auditor's review report
to the board of directors of Goodman Logistics (HK) Limited**

Review report to the board of directors of Goodman Logistics (HK) Limited.

Introduction

We have reviewed the condensed interim financial report set out on pages A4 to A21 which comprises the consolidated interim statement of financial position of Goodman Logistics (HK) Limited as at 31 December 2018 and the related consolidated interim statements of comprehensive income and changes in equity and the condensed consolidated interim cash flow statement for the half year then ended and explanatory notes. The directors are responsible for the preparation and presentation of the condensed interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial report as at 31 December 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

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14 February 2019