



25 September 2019

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

Dear Sir / Madam,

Goodman Group (Goodman) – Stakeholder Review and 2019 Annual Report

The Goodman Stakeholder Review and 2019 Annual Report (incorporating the consolidated financial reports for Goodman Limited, Goodman Industrial Trust, and Goodman Logistics HK Limited) was dispatched to Securityholders today.

The Reports and covering letter are attached.

Annual General Meetings

The Annual General Meetings for the Goodman Group entities will be held at 10:00am (Sydney time) on Wednesday, 20 November 2019 at The Fullerton Hotel Sydney (previously known as the Westin Hotel), Heritage Ballroom, No 1 Martin Place, Sydney NSW. The Notice of Meetings and Proxy Forms will be dispatched to Securityholders by 21 October 2019.

Yours sincerely

Carl Bicego
Company Secretary

enc

GRP01-7-199010.2Goodman Group

Goodman Limited | ABN 69 000 123 071
Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
as responsible entity of Goodman Industrial Trust | ARSN 091213 839
Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia
Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited | Company No. 1700359 | ARBN 155 911 149 | a Hong Kong company with limited liability
Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070

info-au@goodman.com | www.goodman.com



25 September 2019

Dear Securityholder,

Goodman Group – Stakeholder Review and 2019 Annual Report

We are pleased to present the Goodman Stakeholder Review and Annual Report for 2019. Goodman had another very positive year delivering an operating profit of \$942 million and statutory profit of \$1,628 million with all our businesses contributing to this strong result. Our strategy is customer-led and our success is due to the consistent execution of this by our teams around the world.

This Stakeholder Review provides a comprehensive presentation of Goodman's global business for our Securityholders, Partners and customers. Our theme this year is 'space for the world's greatest ambitions' in line with our own ambition to help our customers grow and succeed in this ever-changing environment. To support this, we have profiled the ambitions of three very different companies around the world who are applying innovative solutions to help address some of the biggest challenges facing our industry and that of our customers. I hope that you find these both interesting and thought provoking.

The Annual Report includes the consolidated financial reports for Goodman Limited (being for the entire consolidated Goodman Group), Goodman Industrial Trust and Goodman Logistics (HK) Limited.

Annual General Meetings

The Annual General Meetings for the Goodman Group entities will be held at 10:00am (Sydney time) on Wednesday, 20 November 2019 at The Fullerton Hotel Sydney (previously known as the Westin Hotel), Heritage Ballroom, No 1 Martin Place, Sydney NSW. The Notice of Meetings and Proxy Forms will be dispatched to Securityholders by 21 October 2019.

Thank you for your support over the past year.

Yours sincerely,

Gregory Goodman
Group Chief Executive Officer

GRP01-7-1989\0.3Goodman Group

Goodman Limited | ABN 69 000 123 071
Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
as responsible entity of Goodman Industrial Trust | ARSN 091213 839
Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia
Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited | Company No. 1700359 | ARBN 155 911 149 | a Hong Kong company with limited liability
Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070

info-au@goodman.com | www.goodman.com

A close-up portrait of a woman wearing clear safety glasses, looking forward with a serious expression. The background is a dark blue space-themed image with glowing white and blue lines and patterns, suggesting a futuristic or technological environment.

SPACE FOR THE WORLD'S GREATEST AMBITIONS

Goodman Group Stakeholder Review 2019

It's not enough to simply
wish for greatness.
We need to commit to it with
determination and drive.

Our ambition is to help our customers grow and succeed.

We want to make their ambitions a reality.



Overview

04

We are Goodman

Chairman's letter

08

Big picture

Group CEO's letter

14

Connecting customers

Operational performance

20

High performance

- 22 Own
- 26 Develop
- 28 Manage

Ambition feature

30

Fasten your seatbelts

- 32 Delivery in 30 minutes or less
- 36 Eliminate global food waste
- 40 Reshape the surface of our planet

Corporate responsibility and sustainability

44

Positive impact

- 46 2019 highlights
- 48 Sustainability

The Goodman Foundation

64

Doing good in the world

- 66 Making a tangible difference

Global network

72

What makes a good location

- 72 Regional profiles

Corporate information

74

- 74 Board of Directors
- 76 Five year financial summary
- 78 Securities information
- 79 Corporate directory



We are Goodman

We believe space is an opportunity.
That's why we make it.

Founded more than 30 years ago, Goodman's purpose is to make space for the greatest ambitions of our stakeholders.

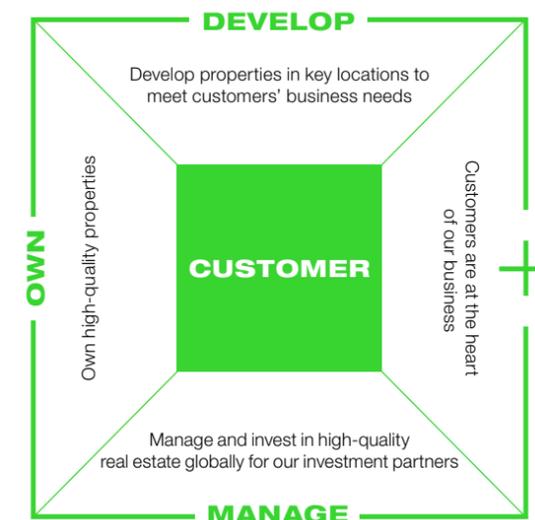
We strive to create solutions that will benefit our customers both now, and in the future, and we focus on delivering sustainable returns for our investors.

As global industrial property specialists, we own, develop and manage high-quality properties in strategic locations across 17 countries. However, we're conscious it's not just what we do that's important, but how we do it.

Goodman thinks big picture and plans for the long term. We have the teams, scale, expertise, infrastructure and capital to develop long-term relationships with customers and partners around the world, but we're still flexible enough to adapt to their local business needs.

That's why we work closely with all our customers, team members and investment and community partners. As the world evolves, their needs evolve too.

Our own+develop+manage model is built around our customers and their need for sustainable solutions and unparalleled service in high-quality locations.





We don't believe in good. Or good enough. We don't believe in the short term or taking short-cuts. We don't believe in putting business before people. Or anything before quality. We believe in great. Although we don't believe we're quite there yet. We believe in the importance of location and sustained growth and doing it right the first time. We believe in having integrity, always. We believe that knowledge is

everything and perfection is in the details. That it is the little things that add up to make the biggest difference. That's why there's a plus in our logo. It's a reminder to keep going above and beyond for our customers, our partners and our staff. To be the best, we believe, relies on every single one of us working together. To this end, we believe we can be better than good. We believe we can be great.

Chairman's letter

Big picture

Ian Ferrier AM – Independent Chairman



Goodman has performed very well this year and the results have been driven by the continued and successful execution of our long-term strategy.





Oakdale Industrial Estate, Sydney, Australia.

Our financial highlights include:

- + Operating profit of \$942 million, up 11.4% on FY18
- + Statutory profit of \$1,628 million, up 48% on FY18
- + Operating earnings per security (EPS) of 51.6 cents, up 10.5% on FY18
- + Distribution per security (DPS) of 30.0 cents, up 7% on FY18
- + Maintenance of a strong financial position with balance sheet gearing stable at 9.7%
- + Group liquidity of \$2.7 billion available, \$1.6 billion in cash (excludes available liquidity of \$13.6 billion in Partnerships)
- + Total Securityholder return of 59.4% over one year and 223.4% over five years.

A strategy for the future

Goodman's success, particularly over the past five years, is due to our consistent execution of our long-term global strategy. With this strategy to guide us, we've balanced our financial and human resources to leverage opportunities and address ever-changing market conditions.

Our strategy is customer-led. Not only are we driven by the structural changes shaping our industry, we are responsive to the trends that impact our customers' businesses, such as the expectation for faster deliveries and supply chain improvements. We have shifted both the location and type of properties we develop to accommodate these evolutionary changes occurring in the industrial sector. Our properties are now concentrated in high-demand locations as evidenced by the \$3.8 billion increase in property valuations over the year.

Goodman's international business has continued to grow, with 68% of earnings and most of our team now spread across 16 countries outside Australia. The Group has invested in the US and Greater China with returns now starting to materialise.

In the last three years, we expanded our US presence and grew assets under management from around \$1 billion to a portfolio with a built-out value of more than \$5 billion. Our strategy has been to monetise the existing land bank while developing strong relationships with customers, capital partners and local stakeholders.

All regions contributed to this year's strong result. During the year in Asia, our assets under management grew to \$16 billion. We achieved higher valuations and a 99% occupancy rate, primarily driven by a focus on quality, scale and intensification opportunities.

In Europe, our determined focus on quality assets and service has produced positive results. Our operations in Australia and New Zealand have also continued to deliver strong results as the structural changes driving our industry begin to be realised, enabling us to maintain our market-leading positions.

Outcomes of this scale take time, foresight and patience. They take the ability to foster capital partner relationships as well as to keep our customers close and adapt to their changing needs, so their businesses thrive long term.

They also require a global team united in working consistently towards the positive, sustainable returns we have once again achieved.

Goodman's people and culture are fundamental to our success. These results are contingent on our strong local expertise in each of our regions and a leadership team dedicated to transparency, ethics and corporate governance.

Outcomes of this scale take time, foresight and patience.



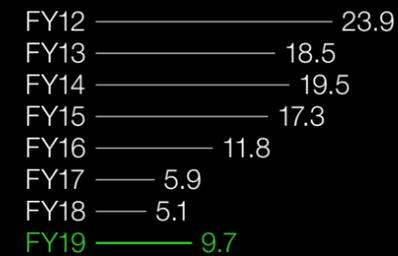
Operating profit (\$M)



Statutory profit (\$M)

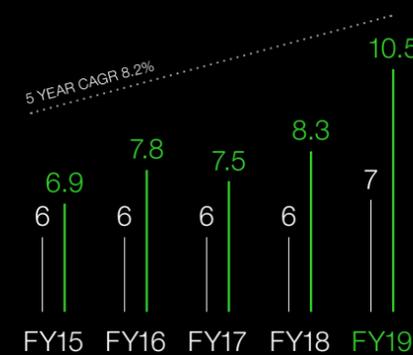


Gearing (%)

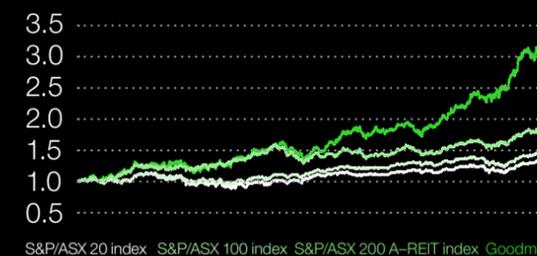


Operating EPS growth

Operating EPS growth target (%)
Operating EPS growth achieved (%)



Total Securityholder return relative performance



Aligning interests

The Group's collaborative approach to remuneration continued, seeing our long-term returns shared between Securityholders, capital partners and Goodman's people.

While our commitment to the equitable allocation of rewards remains consistent, the Board this year initiated changes to increase transparency and rigour around our remuneration structure. The framework aims to not only deliver superior returns but to influence long-term decision-making and reinforce the Group's cultural values and behaviour.

Our remuneration policy further aligns all Goodman people with Securityholders. It adds significant value to the Group, by providing a critical differentiator to generate and reward long-term performance and retain the best people in a highly-competitive global environment.

Board changes

The Goodman Board welcomes Chris Green as an Independent Director of Goodman Limited and Goodman Funds Management Limited and a member of the Audit Committee.

Chris is the Founder and Chief Executive Officer of a US based firm that invests in real estate innovation and technology. Prior to this he spent 16 years at Macquarie Group where he was the Global Head of Macquarie Capital's real estate business.

I am proud of Goodman's performance and the commitment of its management and people around the world to implement what has proven to be a very successful customer-focused strategy.

On behalf of the Board, I sincerely thank our customers and investors for their continued support and all of Goodman's people for their contribution.

Sincerely,

Ian Ferrier AM
Independent Chairman



Group CEO's letter

Connecting customers

Greg Goodman – Group CEO

At Goodman, we're looking at the structural changes taking place around the world and continuing to build a sustainable business, positioned to capitalise on these changes. Our ambition is to help our customers grow and succeed in this ever-changing environment.

Urbanisation, rising consumerism and an increasing need for convenience are continuing unabated. This is driving our customers to evolve and automate their supply chains to keep up with consumer expectations.

Those expectations are constantly escalating. Whether they are an e-commerce operator, a fresh food grocer or a pharmaceutical company, our customers are

working to meet consumers' demand for immediacy. If they can't deliver quickly and conveniently consumers will go elsewhere.

The industrial market has evolved and the nature of developments has changed. At Goodman, we are seeing things such as multi-storey facilities in land-constrained markets and the introduction of automation, data capture and analytics to improve supply chain efficiency.

The most critical factor for our customers is how close their facility is to their customers, allowing more competitive speed to market.

The most critical factor for our customers is how close their facility is to their customers, allowing more competitive speed to market.

Structural changes boosting our performance

Goodman had strong growth in statutory and operating profit for the year to 30 June 2019. The result reflects our work over several years to concentrate our \$46 billion portfolio in consumer-focused locations, where structural changes have had a significant positive impact on our results.

All of our businesses performed well during the year, together producing this exceptional result. The property portfolio continued to experience high occupancy levels and rental growth due to the strategic location of our buildings.

Our investment management business enjoyed strong results and our development programme continued to grow in response to the strong performance of our markets. Work in progress around the world grew to \$4 billion and is expected to reach around \$5 billion in the next 12 months.

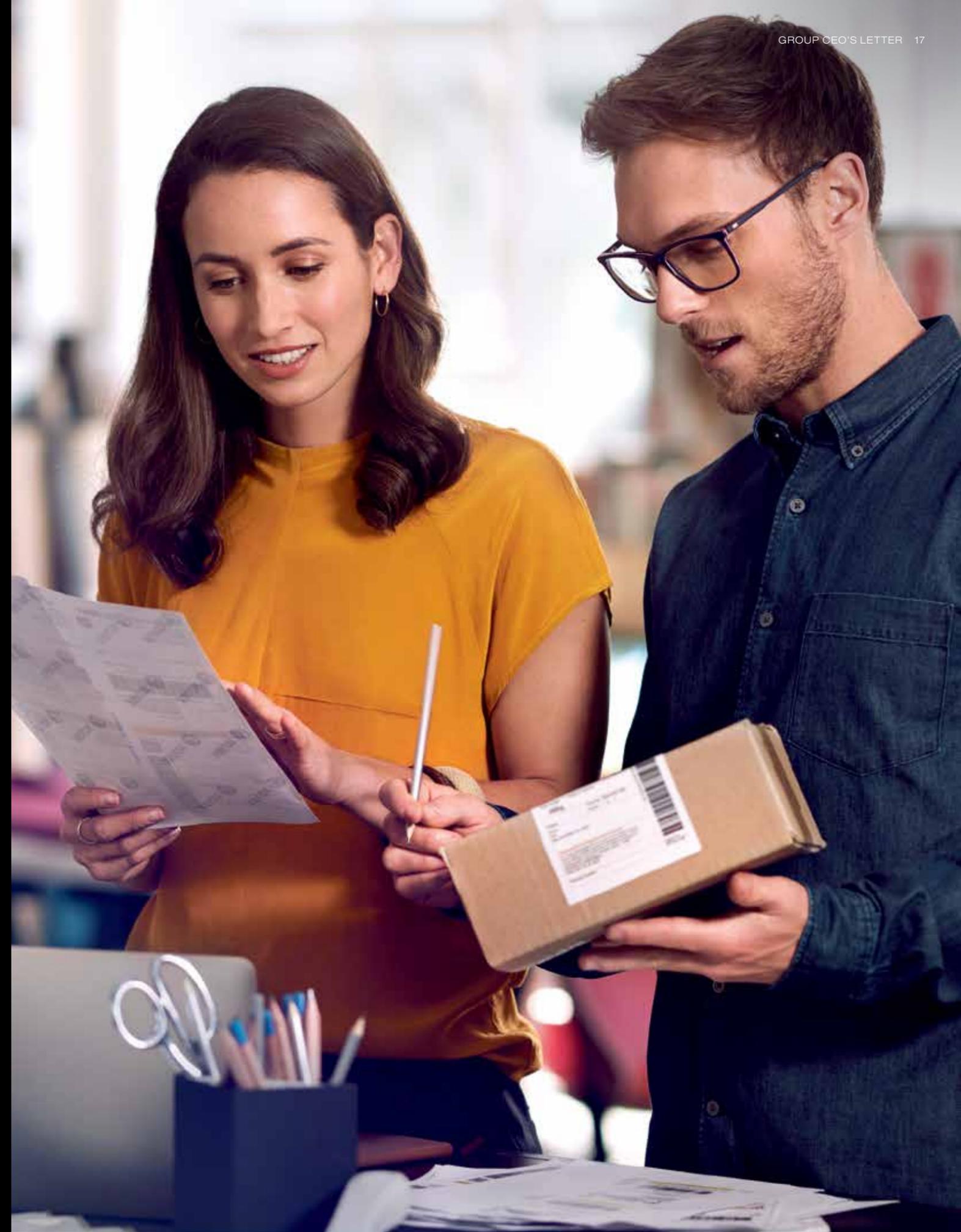
Our Partnerships, meanwhile, benefited from development completions and revaluation gains, leading to growth in external assets under management. The Group delivered a total return of 16% across the Partnerships for the year. It was a strong result for our partners and one we are proud of, reflecting the consistent outperformance of our global portfolio in a volatile environment.

Moreover, we achieved these results while maintaining a low gearing level of 9.7% and significant equity commitments and available liquidity of \$16.3 billion across the Group and Partnerships.

Sustainability

This year, we did a comprehensive review of our sustainability approach to better balance the needs of all our stakeholders.

Our resulting 2030 Sustainability Strategy is based on the three pillars of property, people and culture and corporate performance. These pillars align with our purpose – making space for greatness. Each contains clear targets we will report on annually, keeping us focused on our momentum to date.





FY20 forecast

Operating profit

\$1,040 million

+ up 10.4% on FY19

Operating EPS

56.3 cents

+ up 9% on FY19

Distribution per security

30 cents

Looking ahead

There is ongoing pressure on land use in the markets in which we operate and the barriers to entry are getting higher. Factors include competing demand from e-commerce, data centre users and urban renewal.

Our portfolio's concentration in urban centres is critical. It will support our customers' supply chain evolution over the next five to ten years, generate resilient cash flows, and provide opportunities for more valuable uses in the long term.

Our customers' needs continue to change. Recognising this, we have built specialist infrastructure around the world to meet their demands and have focused, over several years, on incremental site acquisitions in high-barrier-to-entry markets. This has enabled us to redevelop these existing sites at the right time, providing our customers with contemporary facilities in key locations, close to their consumers.

While the market for industrial real estate looks strong, we continue to monitor world events. Our business is diverse and structured to withstand market volatility, yet we remain conservative and prudent in managing our capital. We are maintaining our low leverage, deploying our capital efficiently within our Partnerships and delivering on our forecasts to drive sustainable growth over the long term.

Team effort

I am proud of the Goodman team and I thank all of our people for what they are achieving for our stakeholders through their dedication and hard work.

Goodman Group is a global collective of people who are aligned with and incentivised by our mutual success over the long term.

This long-term approach drives our decisions, evidenced by the fact we are now seeing the benefits of a strategy implemented five to ten years ago. We have not allowed ourselves to become complacent and remain focused on delivering results for all our stakeholders.

I would like to thank our customers, capital partners and investors, too, for their ongoing support. Together, we are achieving great things.

Sincerely,

Greg Goodman
Group Chief Executive Officer

Operational performance

The Group has delivered another strong operating performance in FY19 as customers continue to demand proximity to consumers. This is due to the fundamental strength of our \$46 billion portfolio, and our development and management businesses, which have been positioned to take advantage of the structural changes we are seeing around the world.

HIGH PERFORMANCE

OWN

Goodman Commerce Center Eastvale, Los Angeles, USA.



Portfolio concentration in infill markets is delivering strong returns

At Goodman, we use our local market knowledge to source quality locations so that our 1,600+ customers can be close to their customers. The location and quality of our portfolio in key urban centres have continued to drive underlying returns, resulting in high occupancy and rental growth.

The supply constraints in these markets are contributing to the strong underlying fundamentals which are driving future growth.

Key property investment highlights include:

- + 3.4 million sqm leased equating to \$478 million of annual property income
- + Portfolio occupancy maintained at 98%
- + Weighted average lease expiry (WALE) of 4.7 years
- + Like-for-like net property income growth of 3.3%¹.

We have a diverse range of global and local customers across industries including e-commerce, logistics, retail, automotive, pharmaceutical and technology.

1. Excludes on balance sheet assets.

Top 20 global customers
(By net income – look through basis)

Amazon	5.1%
Deutsche Post (DHL)	2.5%
A.P. Moller – Maersk	1.9%
Japan Post (Toll)	1.7%
DB Schenker	1.6%
Iron Mountain	1.2%
Georgia-Pacific	1.1%
Coles Group	1.0%
Kuehne + Nagel	1.0%
JD.com	1.0%
Equinix	0.9%
BMW Group	0.8%
Zalando	0.8%
SF Express	0.7%
syncreon	0.7%
Walmart	0.7%
IVE Group	0.7%
Mainfreight	0.7%
Coca-Cola Amatil	0.7%
Metcash	0.6%

Cologne II Logistics Centre, Cologne, Germany.



DEVELOP



Structural demand expected to drive growth in WIP to around \$5 billion in the near term

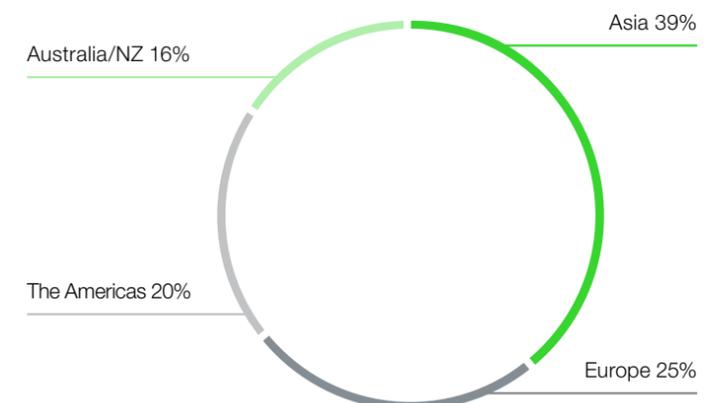
Increased customer demand, driven by structural changes in our markets, is giving us greater confidence to escalate development activity. As a result, our development workbook is growing strongly. Commencements have increased to \$4.2 billion WIP has increased 14% to \$4.1 billion across 55 projects in 13 countries. This is expected to reach approximately \$5 billion in the next 12 months.

The concentration on urban logistics developments is changing the nature of our projects. Land scarcity is driving the need for multi-storey developments, automation and robotics require higher-quality facilities, while there is an ever-increasing need to integrate sustainability features into the building. We are building properties that are flexible and adaptable to accommodate the demands of the future. These projects are more complex, however, we have the skills, infrastructure and financial resources to deliver.

Other key development highlights include:

- + Development completions of \$3.9 billion
- + 81% committed on completion
- + 80% of WIP undertaken within Partnerships.

Work in progress as at 30 June 2019



MANAGE

Strong performance of the Partnerships and AUM growth is increasing earnings

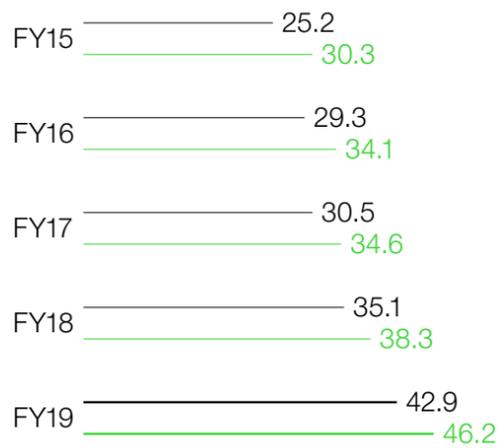
Development completions and revaluation gains led to 22% growth in external assets under management to \$43 billion. The Group delivered an average total return of 16% across the Partnerships for FY19 and 16.4% p.a. over the last five years.

We raised and deployed more capital in Partnerships to fund the growth in development work, with \$900 million invested by the Group over the year.

Other key management highlights include:

- + Management earnings up 48% on FY18
- + Global weighted average cap rate (WACR) tightening to 5.1%
- + \$13.6 billion in equity commitments and available liquidity.

Assets under management



Partnership AUM (\$B) Total AUM (\$B)



Ambition feature

Meet three companies whose ambitions are changing the way we all live and work, for the better. Companies whose passion and drive are helping to shape our industry, accelerate our customers' businesses and make the world a more interesting place for all of us.

FASTEN YOUR SEATBELTS THE FUTURE IS COMING



Ambition 01

Delivery in 30 minutes or less

A new retail concept is delivering in China in under 30 minutes.

Since online retail catapulted into existence, customer service expectations have been raised across all forms of retail. Now with the proliferation of Hema's dynamic fresh food offering, expectations are set to rise again.

Launched by e-commerce giant, Alibaba, Hema is an ambitious new retailer in China. It's a physical place to shop, a dine-in restaurant and a distribution centre for online orders, all rolled into one. It also offers 30-minute delivery within a three kilometre store radius in major Chinese cities.

"Hema has been developed in a way that no one has ever done before," says Hema CEO, Mr Hou Yi. "Where other people saw problems, we saw opportunities. And because Alibaba is willing to adventure and to test, we are willing to invest in the future."

The Hema experience is certainly unique. Digital technology permeates every transaction and interaction, and it all hinges around the Hema app. It's how customers place an online order, check out and pay in store, access detailed product information, book a table at the robot-run restaurant and place an order.



When you're in store, there is a constant buzz. Uniformed Hema staff rush around picking orders for online customers that then get pegged to a conveyor belt and shoot up into the ceiling ready for delivery. There are no cashiers, only kiosks. You can have restaurant staff cook the food you've purchased and have a robot serve it to you on site.

Of all the new experiences Hema offers, however, it's the 30-minute delivery guarantee that's gaining traction. Only for customers within a three kilometre store radius, it's said to be impacting real estate prices giving 'Hema Nearby Houses' a soaring advantage.



Images from left to right: robot table service in Hema in-store restaurant, online order being picked in Hema store, Hema 30-minute home delivery.



Delivery in 30 minutes means commuters can shop for dinner on their way home and for others it means not having to even leave the house.

"Many families include elderly people who are buying food. It is not convenient to go up and down their buildings. It is also dangerous to encounter wind and rain," explains Mr Hou.

Since Hema first started in 2016, it has opened more than 160 stores. Mr Hou hopes to expand its supply chain to include a wide variety of innovative product lines and bring in the very best of the world's produce. To this end, Hema is working with agricultural partners from around the world to launch products such as fresh dairy products and premium beef to support the lives of millions of families.

Even with such great ambitions, Mr Hou remains humble. "There are many places that need to be perfected," he says, "so we continue to rethink and iterate. You will see that Hema is constantly exploring new products and new scenarios. We will always pursue perfect and pursue better."

Watch the Hema video and see how a delivery can be made within 30 minutes in a country of 1.5 billion people. goodman.com/hema

Ambition 02

Eliminate global food waste

A robotics start-up is revolutionising supply chains with an octopus-inspired robot.

There are two things you need to know about soft robotics. First, it's an academic field that's developing robots out of rubbery, non-rigid materials. Second, it's the name of an ambitious Boston start-up that's having a huge effect on supply chains across the e-commerce, advanced manufacturing and food production industries.

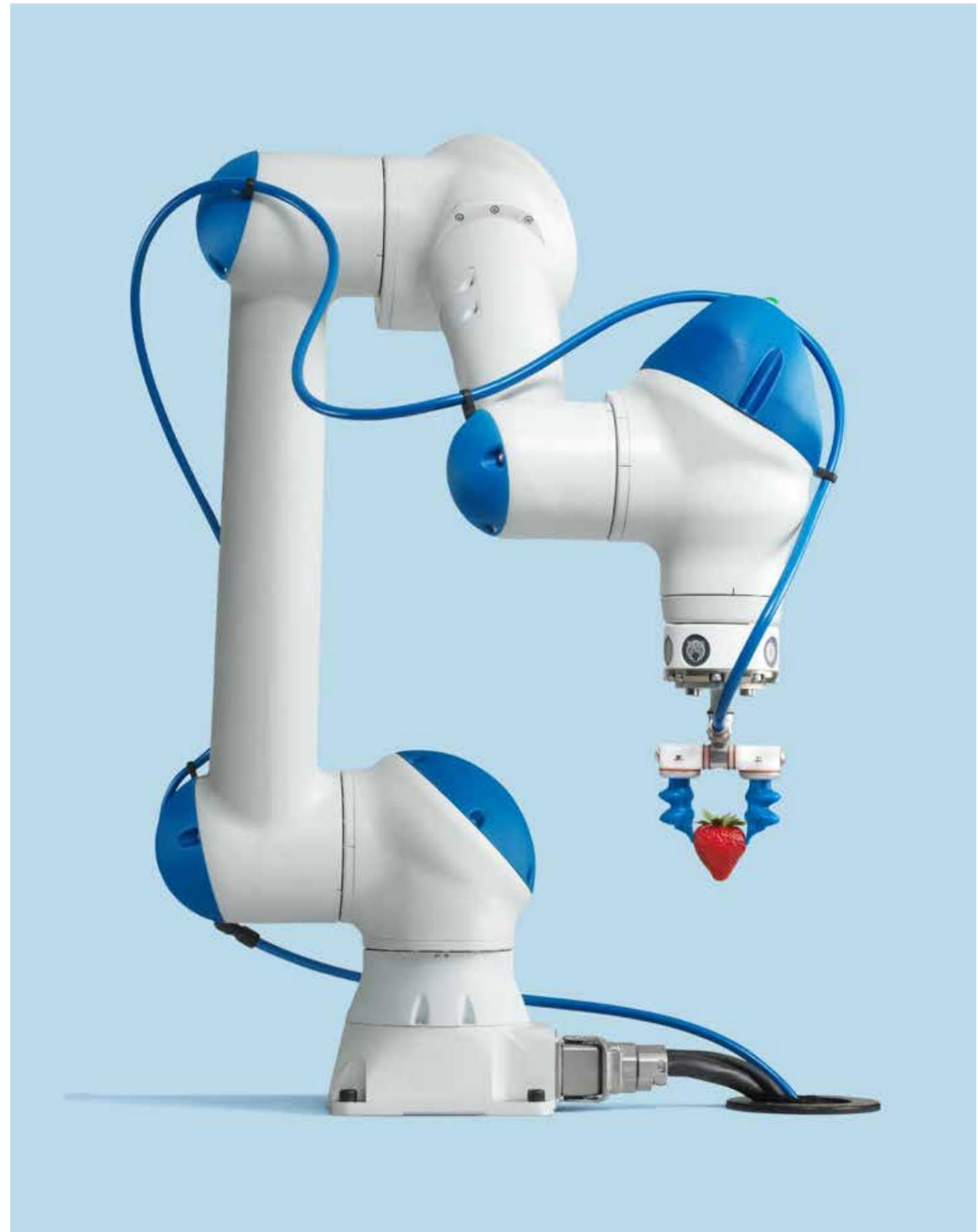
"We're a company that took that field of work out of Harvard University about six years ago because it solves a really important part of robotics," explains Carl Vause, CEO, Soft Robotics, "which is, how to get a robot to interact with things that vary, in size, shape, weight or are soft and easily damaged."

If you've had any experience with robotics, you'll know that robots are very good at simple tasks, like moving something from one part of a factory to another.

What they haven't been very good at, however, is picking up and packing a range of different items, particularly delicate food items like eggs or strawberries, or flimsy apparel items. That is, until now.

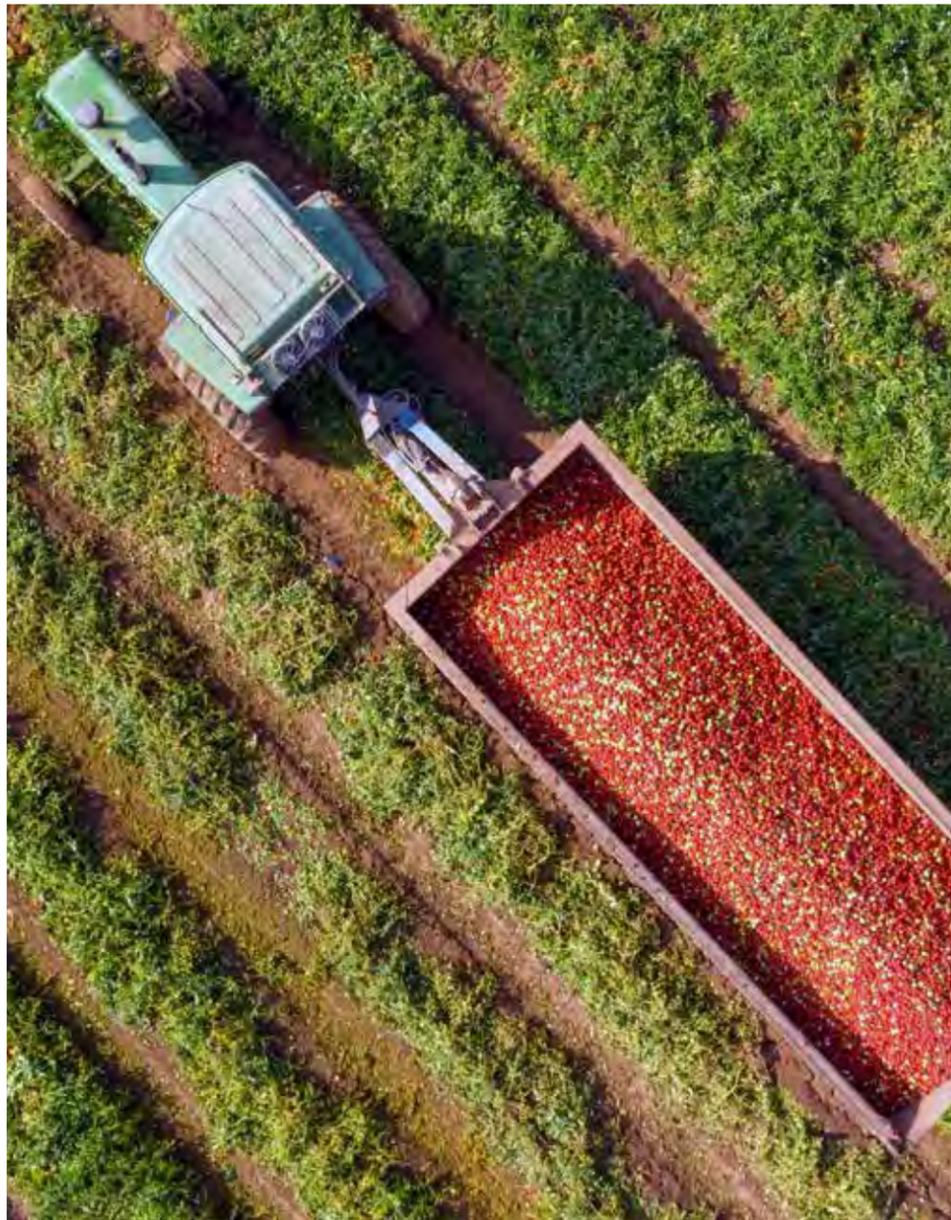
One of the things that makes Soft Robotics different is its technical approach. When discussing the early development work by Professor George Whitesides, the company's academic founder, Carl says, "Instead of using the human hand as inspiration, he used the octopus as the inspiration."

What this shift in perspective ultimately led to is a soft robotic hand, also commonly known as a gripper, that gently wraps around items and envelops them. In this way, a single robot can pick up an infinite number of items – big, small, soft, round.



Company: Soft Robotics

Location: Boston



Carl Vause, CEO Soft Robotics.

When you think that now any one robot can have the ability to handle the huge variety of products that line our supermarket shelves, it's revolutionary. Which is good news for companies looking to make supply chain improvements.

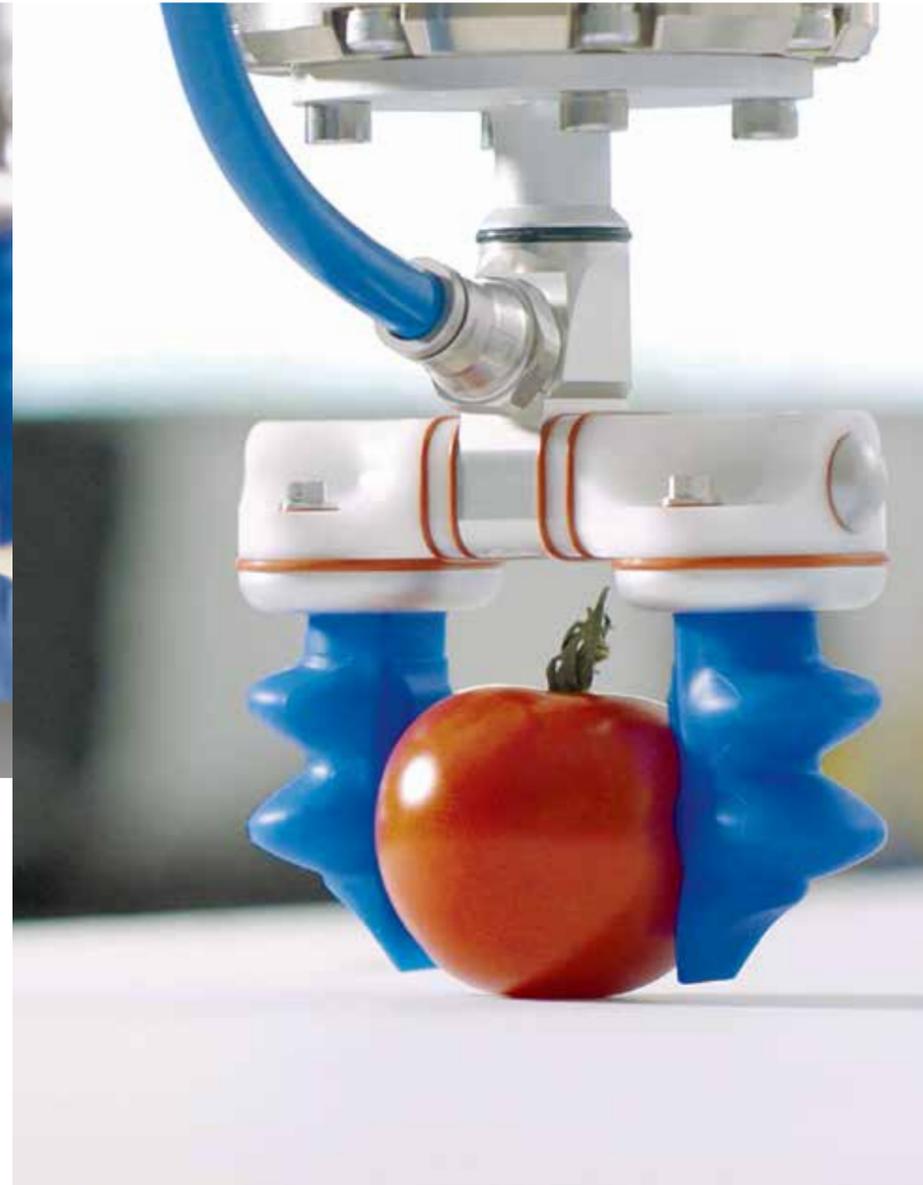
"They say that 20% to 30% of the food grown in California goes to waste in the supply chain. In the actual scenario," clarifies Carl, "it's somewhere between 40% and 50%. And a lot of that is due to wastage in handling. It's ridiculous how much food gets thrown away."

Carl believes this level of food wastage is unacceptable because it's unnecessary. He claims that with their technology, food companies can already reduce waste significantly, adding that soft robotics will soon be the new standard.

"When a large percentage of food doesn't get to market, it makes the price of the food that did get to market go up," says Carl. "It also wastes the time and resources spent growing and watering that food, and when it goes bad it has to be ploughed under which creates more greenhouse gases."

Whether you're vegan or carnivore, we all play a part in the food supply chain and, equally, food waste affects us all, but this is one company that's doing something that will help everyone. "We want to make a world," Carl says, "where Soft Robotics can ensure that all food that is grown or farmed, gets to market."

Watch the Soft Robotics video and see how robots are helping to reduce food waste. goodman.com/softrobotics



Ambition 03

Reshape the surface of our planet

A non-conformist group of architects is moulding our planet around people.

The Danish word for design translates as Formgiving – giving form to that which does not yet exist. And it's the perfect word to describe Danish architects Bjarke Ingels Group, or BIG, that regularly give form to ideas that are far too wild for the average imagination.

Kai-Uwe Bergmann, a partner at BIG, gives us some insight. "We usually describe ourselves as a kind of thinker. Architects, certainly, but also designers and engineers. You simply can't think you know the entire solution from a singular perspective. You need many different vantage points, or people, to think about a problem to be able to truly solve it," he says.

BIG's commitment to pushing boundaries is unrivalled. Taking an unshackled approach to the past and putting human experience at the centre of every creation, BIG's view is that future cities are going to be a lot more about how we live and work together.

"We all inherit our way of life from previous generations," says Kai who points out that many of the houses and apartments we live in represent the way people lived 50 to 100 years ago. BIG believes in designing for the future by being sustainable and creating flexible spaces that are malleable enough to adapt to the needs of future generations, as well as the current ones.





One question BIG often asks itself is how to create environments that are equitable and at the same time generous for people. “We can all see that more and more people are moving towards cities,” explains Kai. “A few years ago, it was 50% of the world’s population, by 2050 it will be around 70%.”

This kind of generosity is evident in one of BIG’s current projects, the Dryline (also known as the BIG U) in New York. An increased number of weather events means the design of waterfront areas is regularly being put to the test. BIG was tasked to come up with a solution that would provide flood protection for Manhattan’s waterfront areas, without segregating the city from the surrounding sea.

Inspired by the High Line in New York, BIG designed a protective sea structure that would enhance the liveability for residents.



Images from left to right: Kai-Uwe Bergmann with the Dryline model, East Side Coastal Resiliency project before the storm, model making, Harbor Bath (renders courtesy of BIG).



Co-designed with people in the local areas, the Dryline incorporates seating pavilions, art walls and cycle paths.

For BIG, the key to successfully creating infrastructure is to consider how people will ultimately use it. “I think it’s a lot about how you find balance between the needs – in terms of a city densifying itself – and that of actually creating a higher quality of life,” says Kai, “which we are always looking for.”

Kai points out that BIG often starts thinking about systems before they put pen to paper on architectural design. “Logistics centres are critical when considering the system that you need for a city to grow and to thrive,” he says, describing logistics as being akin to veins that move nutrients and energy around, making them accessible.

The Dryline project is one way to help safeguard our increasingly-urban population, but not surprisingly, it’s not the only solution BIG is working on. Currently, the team is fixated on amphibious architecture – a floating city.

Supported by the United Nations in response to future rising sea levels, floating cities is a self-sustaining idea that would have the capability of housing up to 10,000 displaced people.

“We’re building a prototype to consider how we would live”, explains Kai, “because as soon as you live on a floating city you have to start thinking about food production and then you need full cycle, or circular, economies and ecosystems that deal with energy and waste.”

We asked Kai if BIG’s work has been described as ambitious in the past. “Yeah,” he says laughing. “Although it is a word that a lot of people would use, I think, at least my hope is, that we also have the follow through.”

Watch the BIG video and see how they are helping improve the sustainability of cities. goodman.com/big

Corporate responsibility and sustainability

POSITIVE IMPACT

We understand the world is constantly changing and to be part of the future we must remain agile and open to new ways of working. It's in this way we aim to give our customers the space they need to succeed by providing sustainable solutions and unparalleled service in high-quality locations now and into the future. Goodman cares about the future of the planet and all the people in it and we strive to have a positive impact on the world. We believe that a sustainable approach makes good business sense and seek to work with stakeholders who feel the same.

By aligning our corporate responsibility and sustainability vision with our purpose, we believe we can make space for greatness for all our stakeholders.

2019 highlights



01

100% of Goodman's global developments include sustainable design initiatives such as LED or natural lighting and drought tolerant landscaping.

02

Goodman Group and the Goodman Japan Core Partnership were awarded Sector Leader in the 2019 GRESB survey.

03

Certified developments were completed across Continental Europe, Japan, China and the United States.

04

Goodman Pudong Airport Logistics Park in China won the world's first Platinum award under the new LEED v4.1 O+M tool for warehouses.

05

Goodman has more than 40MW of solar PV installed on our rooftops across the global portfolio.

06

The Australian portfolio was benchmarked using Goodman's internal sustainability rating tool, which helps allocate capital for sustainability improvements.

07

Goodman reduced energy use by approximately 11% across the Australian office portfolio.

08

Goodman committed to increasing efforts to eradicate potential instances of modern-day slavery in our supply chains.

09

Goodman has committed to the Task Force on Climate-Related Financial Disclosures' guidelines for climate risk management.

10

The Goodman Foundation and Goodman employees contributed approximately 13,140 hours and almost \$5.7m to community and philanthropic causes.

Committing to the long term

2030 Sustainability Strategy

Sustainability is about long-term thinking and leadership. We've always taken a sustainable approach that leads to positive economic, environmental and social outcomes for our business, our stakeholders and the world more broadly.

This year, we comprehensively reviewed our practice, taking into account our continued growth and strong financial performance. The result is our 2030 Sustainability Strategy which builds on the momentum of our work to date, aligns with our purpose of 'Making space for greatness' and takes a more proactive approach to the challenges and opportunities of the future.

Our 2030 Sustainability Strategy is structured around three pillars. These are linked to a set of material issues, with each pillar backed by short and long-term environmental, social and governance (ESG) targets. Our progress on these targets will be reported annually later in the year, leading up to 2030.

Strategic pillars



Property



People and culture



Corporate performance

Addressing the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) address the world's most significant challenges such as poverty, the planet, gender equality, clean water and climate change.

We have identified eight of the 17 SDGs as most relevant to our business. These shared global goals are another way we anchor ourselves to the power of collective leadership to ensure a sustainable future for all.

- 03 Good health and well-being
- 07 Affordable and clean energy
- 08 Decent work and economic growth
- 09 Industries, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 15 Life on land



Property

All the right places



To make space for greatness, Goodman focuses on securing key sites for properties that will stand the test of time. We know that well located, designed and managed properties are better prepared for the challenges of tomorrow. They are more flexible to meet customer needs, support their ongoing health and well-being, and are more resilient to climate impacts and generally experience higher occupancy rates. This maximises their asset value and is a sign that the properties are being used efficiently.

While our target is to use 100% renewable energy by 2025, this will be influenced by regional policies and energy markets. Our increasing proportion of rooftop solar, lighting upgrades and a raft of other energy efficiency measures will all contribute to our projected carbon neutral status.

Material issues

- + Sustainable design and management
- + Strategic locations
- + Customer attraction and retention
- + Climate risk and resilience
- + Carbon reduction strategies
- + Smart energy solutions
- + Flexible and adaptable properties.

Nanpu Bridge, Shanghai, China.





Target

Progress

100% renewable energy use within our operations by 2025

Increased use of renewable energy globally in rooftop solar investments and installations

Commenced programme to purchase renewable energy through power purchase agreements



100MW of solar PV in operation by 2025

Approximately 40MW of solar PV installed on Goodman's rooftops globally

This includes 4MW of solar PV installed in Japan and Continental Europe this year

Design underway for further solar installations in all regions



Carbon neutral operations by 2025

Continued investment in on-site and off-site solar energy and other efficiency projects

Continued roll out of energy efficiency measures including energy tracking, LED lighting upgrades, translucent roof sheeting and sub-metering

Investigating offsetting to achieve carbon neutral day-to-day operations (excluding development activities)



Maintain >95% overall occupancy rate

Assessed average occupancy rate at 98% (target set at >95% in acknowledgement that external factors cause occupancy rates to fluctuate).



People and culture

Team approach



To achieve success, any organisation needs great people. That's why we base our recruitment around merit, local knowledge and cultural fit. We're always on the look-out for smart people who are aligned with our values and long-term thinking. Once on board, we incentivise our team to think strategically, work collaboratively and undertake programmes to improve their well-being.

We also think beyond the needs of just our internal team and actively support our customers and suppliers, too. We have aligned commitments to their workforces and have a plan to expand our business ethics programme to look at the human rights and social equity aspects of our global supply chains.

Importantly, we have a safety target of zero workforce fatalities. We believe the best way to achieve this is through strict workplace safety standards and making safety a responsibility for everyone.

Material issues

- + Workplace safety
- + Group and regional leadership
- + ESG performance targets
- + Diversity and inclusiveness
- + Promotion of the Goodman values
- + Social equity
- + Customer well-being.



Target rating

Zero workforce fatalities

Progress

Implemented initiatives including:

- + Goodman safety framework
- + Safety in design guidelines
- + Critical risk controls
- + Safety training and contractor management procedures



Global supply chain ethics policy

Outlined a two-year plan in which we will:

- + Expand our business ethics programme
- + Look at the human rights and social equity of our global supply chains
- + Assess our supply chains for risks such as modern-day slavery and bonded labour



Gender ratio of 50/50, with 40% female senior executives

Assessed current gender ratio at 45% female and 55% male

25% of senior executives are female, up from 20% in FY18



100% of employees assessed as demonstrating Goodman's values

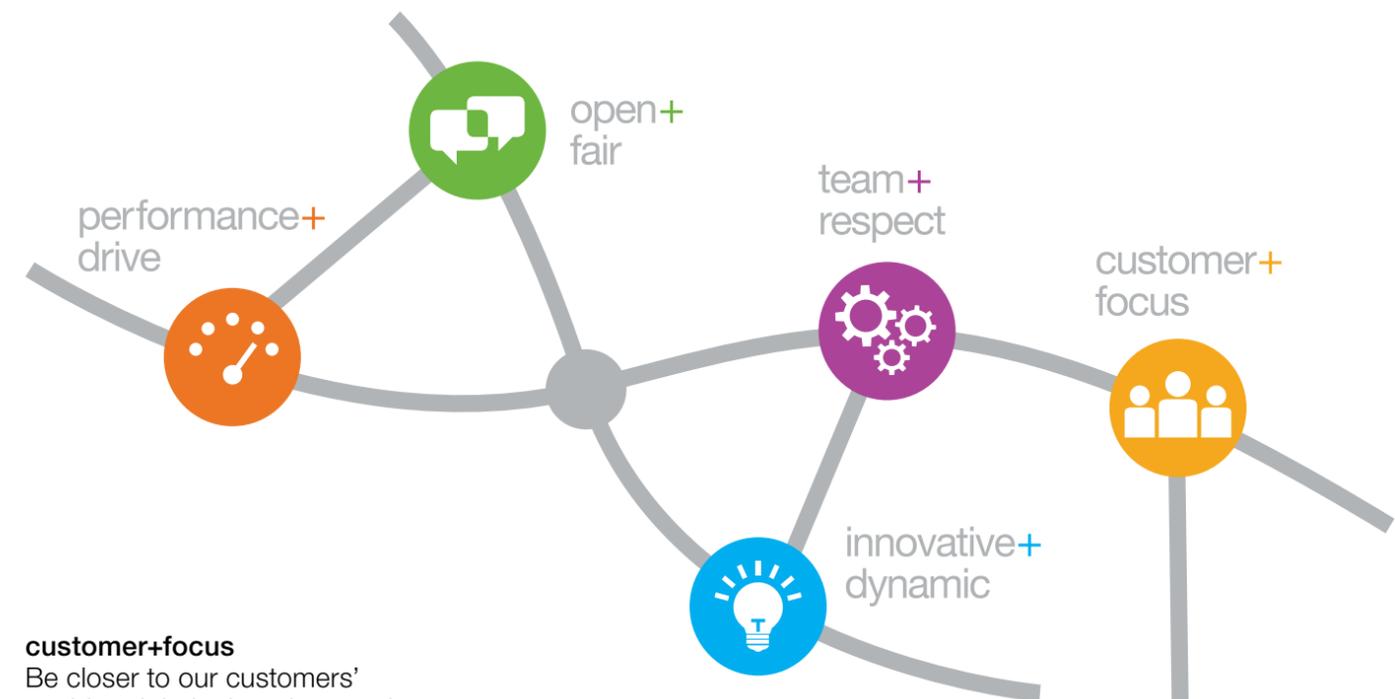
Internal training and awards programme coupled with consistent internal communication to educate our people and reinforce the Goodman values

Performance management platform (Aspire) in place to assess how employees are displaying our values.



People and culture

We are what we value



customer+focus

Be closer to our customers' world and their changing needs.

innovative+dynamic

Be more creative in our thinking and dynamic in our actions.

open+fair

Be adaptable and considerate in our dealings inside and outside our business.

performance+drive

Do what we say we'll do and make things happen.

team+respect

Recognise the worth in each other and collaborate for better results.

Goodman values are central to how we foster the right culture. They are a guide to how we think and act. Our values help us provide the same level of quality across all aspects of our business and they equip our teams to perform in our stakeholders' best interest.

Over the last four years, Goodman has run an internal programme designed to instil the importance of our values in our global team. We want Goodman people in all markets to not only live our values, but to understand their role in achieving long-term success.

We've scrutinised our work culture and professional behaviour and continue to strive for strong ethics and corporate governance. We encourage a disciplined approach and expect management to lead by example by being transparent and modest in all their dealings.



Corporate performance

Raising standards



While we remain clear about our purpose – to make space for greatness – our approach to achieving this goal in a changing world is adaptable.

We finance ourselves with sustainable capital and maintain low debt levels to allow us to stay active during different market cycles. We value the trust of our stakeholders and the chance to make a difference in the communities we operate in.

To remain accountable and focus on continuous improvement, for the past eight years Goodman has participated in GRESB, the leading ESG survey for the real estate sector. Our ESG performance is analysed and scored, providing detailed insights for investors.

Material issues

- + Sustainable operations and results
- + ESG Governance
- + Responsible investment
- + Environmental stewardship
- + Sustainable capital structure
- + Stakeholder and community engagement
- + Balanced timely disclosures.

Addressing climate risk

Goodman supports the Paris Agreement goal of reducing global carbon emissions and limiting the average temperature rise to below 2 degrees Celsius. At the same time, Goodman acknowledges it is exposed to a range of climates and extreme weather events across its operating regions. We have adopted the framework recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) and our board-appointed Risk and Compliance Committee will oversee the necessary analysis and disclosure.

This year, in response to the projected impacts of climate change, we developed a climate risk management programme. This programme will involve extensive work in key regions to understand our physical risks, including an assessment of climate exposure across Goodman's Australian portfolio.

Goodman Qingpu Centre, Shanghai, China.





Target rating

Progress

Retain investment grade credit rating

Continued to meet financial targets to underpin capital sources and retain credit rating
Credit rating maintained at BBB+ (S&P) and Baa1 (Moody's)



Task Force on Climate-Related Financial Disclosures (TCFD) compliance by 2022

Committed to adopting the TCFD framework
The Risk and Compliance Committee to oversee TCFD compliance



4 Green Star GRESB rating average

Strong GRESB survey results, including:
+ Goodman Group awarded 'Sector Leader' in the Developer, Industrial peer group achieving 5 star Green Star status and an A for public disclosure
+ Goodman Japan Core Partnerships awarded 'Sector Leader' for the second year in a row – improving its previous score by 15%
+ Three of the eight participating entities achieved GRESB's top rating of 5 Green Stars



\$50m in social investment by The Goodman Foundation by 2030

AU\$5.7m contributed to community and philanthropic causes
13,140 hours of employee time logged in volunteering and participation in charitable fundraising events.



See the Foundation section commencing over the page for more information.

Leicester Commercial Park, Leicester, United Kingdom.

The Goodman Foundation

Goodman believe all people everywhere should be in equal reach of greatness. That's why we established the Goodman Foundation. So we can use our people, properties and our resources to bring better quality of life to the communities in which we operate.

DOING GOOD IN THE WORLD

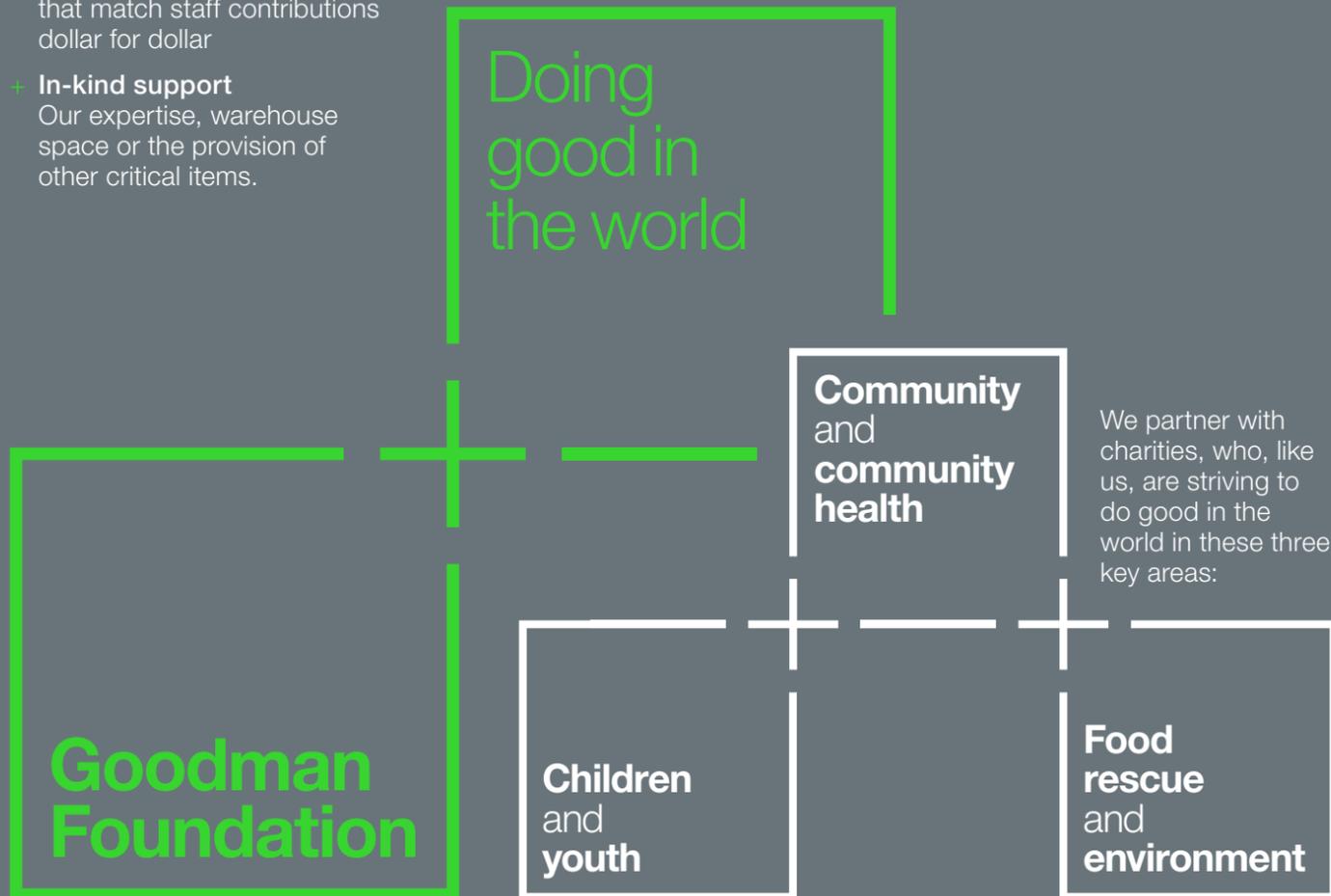


The Goodman Foundation

Making a tangible difference

The Goodman Foundation offers support to charities in the following ways:

- **Cash grants**
Provided to fund identified projects or needs over one to three years
- **Do good programme**
Goodman team volunteering or fundraising for charities
- **Give back programme**
Workplace giving schemes that match staff contributions dollar for dollar
- **In-kind support**
Our expertise, warehouse space or the provision of other critical items.



01

Children and youth

We work with charity organisations that help to protect and support children or young people around the world. Our partners include:

- Bestest Foundation
- Children’s Cancer Institute of Australia
- Clontarf Foundation
- Eagle RAPS
- Friends & Helpers Foundation
- Great Potentials Foundation
- Little Olive Child Foundation
- Property Industry Foundation
- Raise Foundation
- SOS Children’s Villages
- Stepping Stone House
- The Helmsman Project
- The Shepherd Centre
- Yalari



Focus partner

Duffy Books in Homes

Often, it’s children who can’t read who become adults who can’t write. Duffy Books in Homes helps to break the cycle of ‘booklessness’ by giving new books to New Zealand school children three times a year – books that are taken home, cherished and shared with siblings.

Since 1995, Duffy Books in Homes has given books to more than 100,000 children a year and inspired programmes in Australia and the United States. This year is their 25th anniversary and in September they gifted their 13 millionth book.

Through Duffy Books in Homes, Goodman sponsors three schools identified as being in need. We provide five books a year to almost 1,500 students, giving them the experience of reading for pleasure, on their own terms, in their own time.

02

Community and community health

We work with charity organisations that support people living with a condition, illness or disability, or whose efforts create a more inclusive and equitable community. Our partners include:

ACRF (Australian Cancer Research Foundation)

Black Dog Institute

Cerebral Palsy Alliance

Greenway

Humpty Dumpty Foundation

Invictus Games Foundation

Multiple Sclerosis Australia

Paralympics Australia

Rural Aid

Special Olympics Australia

The Bread & Butter Project

The Fred Hollows Foundation

Windgap Foundation

Focus partner

The Bread & Butter Project

The Bread & Butter Project is Australia's first social enterprise bakery, investing 100% of profits into providing training and employment pathways for refugees who aspire to become bakers. They are given full-time paid traineeships to help them succeed in their new country.

Based in Sydney, the participants work alongside professional bakers and graduate with formal accreditation. They receive English tutoring and career counselling to help them find a job at the end of the traineeship.

As a founding partner, Goodman's grants have helped to provide the fleet of vehicles that deliver fresh artisanal bread to outlets all over Sydney.



03

Food rescue and environment

We support charity organisations that reduce waste by redistributing food or useful items that would otherwise go to landfill. Our partners include:

FareShare

Feeding Hong Kong

Good360 Australia

KiwiHarvest

OzHarvest

Second Harvest Food Bank of Orange County

Thread Together

UKHarvest



Focus partner

Thread Together

Thread Together drives social and environmental change by redistributing new clothing and shoes to those most in need, while reducing the amount of clothing going to landfill. Wearing brand-new, well-known brands helps to bring dignity, motivation and self-confidence to vulnerable Australians.

Since 2012, Thread Together has redistributed high-quality garments to more than 300,000 people in need, including people who are homeless, in crisis, refugees, long-term unemployed, youth-at-risk and victims of domestic violence.

Having supported Thread Together since launch, the Goodman Foundation has provided both in-kind support and cash grants which have included warehouse space and a van to collect and distribute clothes.

It takes a village

Raise Foundation, the youth mentoring foundation that's helping young Australians feel heard, valued and supported.

Having experienced challenges as a teenager, Vicki Condon knew the value of having an adult she could turn to. But it wasn't until later in life, with the suicide of a family friend's son, that she decided to set up youth mentoring charity, Raise Foundation.

"We run best practice mentoring in schools for young people at risk of disengaging," says Vicki, CEO, Raise Foundation. "Our key difference is helping young people learn to have face-to-face relationships with adults they can trust."

At the same time each week, for six months, mentors meet mentees at school to tackle the big issues they face. The programme mixes group activities with one-on-one sessions. The individual sessions are led by mentees so they can discuss whatever is on their mind. Afterwards, Raise comprehensively evaluates the impact of the programmes.

"We see statistically significant improvement," says Vicki. "Most mentees are more comfortable asking a trusted adult for help, feel more employable and hopeful about their future, and are looking to complete Year 12. It builds resilience with mental health

issues, as well as confidence and communication skills."

Mentors receive 12 hours of industry-leading training, and since 2008, around 4,000 volunteers have mentored around 5,400 young people. "We're up-skilling adults, too, to be better listeners and contribute to thriving communities more broadly."

Since 2013, the Goodman Foundation has partnered with Raise in three ways: cash grants, Goodman people as mentors and CEO-to-CEO mentoring between Vicki and Jo Cameron, Goodman Foundation CEO.

This year, Raise developed an ambitious strategy and Goodman has invested more to help. "We believe everyone can benefit from a mentor, so we want to offer our programme at every public secondary school in Australia, raising it from 1,000 mentees to 15,000," says Vicki.

Raise believe it takes a village to raise a child and the Goodman Foundation is proud to take part. "Goodman is always prepared to listen, ask what we're trying to achieve, and test innovative ideas with us," says Vicki. "They don't just give us funding or volunteers; they're part of our community. Goodman is an important part of our village."

The problem

- + Suicide is the leading cause of death in young Australians
- + One in ten young Australians are disengaged from education and training
- + One in four are struggling with their mental health.

The solution

- + Mentoring helps young people, particularly at-risk youth, to succeed in school, work and life
- + Raise provides individual support from a trained mentor to help young people navigate their issues.



"I'm putting myself out there more, and not just staying quiet. I found my voice."

— Raise Mentee

Count us in

September global partnership

Cerebral Palsy Alliance is transforming lives through world-leading evidence-based therapy, early childhood intervention and ground-breaking research.

Over the past ten years, positive research outcomes have reduced the incidence of cerebral palsy from around 1 in 400 to 1 in 700 children, and the severity of cerebral palsy in children has become milder.

With the support of our team, partners and customers, Goodman's ambition, as the global partner of Steptember, is to help fund research into the cause, prevention, treatment and, ultimately, a cure for cerebral palsy. This includes research that will result in the world's first human clinical trial of stem cells in babies at risk of cerebral palsy. A therapy that offers the best chance of targeted neuroprotection for these children.

ADVANCES IN TECHNOLOGY, CHANGES IN CONSUMER BEHAVIOUR AND THE CONTINUED URBANISATION OF GATEWAY CITIES ARE DRIVING DEMAND FOR WELL-LOCATED LOGISTICS SPACE AROUND THE WORLD.

Here's how our global strategy is being realised in each region.

WHAT MAKES A LOCATION GOOD TO GOODMAN?

Proximity to people

Locations that are close to large consumer populations mean that our customers can meet rising delivery and service expectations.

Accessibility

Locations close to major transport infrastructure, like motorways, ports and airports, enable efficient deliveries and reduce supply chain costs for our customers. Accessible locations make commuting to work easier for our customers' workforce too.

Urbanised areas

Locations in urbanised areas, or areas that are experiencing urbanisation, are scarce. Because there's competition for land use, these areas are more sought after and more valuable.

GLOBAL NETWORK

Source: Oxford Economics
All figures are in AUD unless otherwise stated
Consumer spending data is year to 30 June 2019

THE AMERICAS

United States
330m
Population
US\$14.2tn
Consumer spending

LOS ANGELES
NEW JERSEY
ALLENTOWN

\$3.9bn
AUM
16
Properties
1.3m sqm
Space under management
\$809m
WIP
2
Managed Partnerships
40+
Customers

Brazil
213m
Population
US\$1.3tn
Consumer spending

SÃO PAULO

UK
67m
Population
US\$1.8tn
Consumer spending

BIRMINGHAM
LONDON
LUXEMBOURG
PARIS
MILAN
MADRID
HAMBURG
AMSTERDAM
POZNAN
WARSAW
DUSSELDORF
BRUSSELS
PRAGUE
KRAKOW
BUDAPEST

Europe
351m
Population
US\$7.1tn
Consumer spending*
*Countries Goodman has a presence

EUROPE

\$8.5bn
AUM
138
Properties
5.1m sqm
Space under management
\$1,031m
WIP
3
Managed Partnerships
170+
Customers

AUSTRALIA

Australia
25m
Population
US\$0.8tn
Consumer spending

BRISBANE
SYDNEY
MELBOURNE

\$15.2bn
AUM
159
Properties
5.8m sqm
Space under management
\$551m
WIP
4
Managed Partnerships
1,000+
Customers

New Zealand
5m
Population
US\$0.1tn
Consumer spending

AUCKLAND

\$2.5bn
AUM
8
Properties
0.9m sqm
Space under management
\$122m
WIP
1
Managed Partnerships
180+
Customers

Japan
127m
Population
US\$2.9tn
Consumer spending

BEIJING
OSAKA
TOKYO

Greater China
1,428m
Population
US\$6.3tn
Consumer spending

CHENGDU
SHANGHAI
GUANGZHOU
HONG KONG

NEW ZEALAND

ASIA

\$16.1bn
AUM
62
Properties
5.2m sqm
Space under management
\$1,611m
WIP
5
Managed Partnerships
300+
Customers



1 Los Angeles



2 New Jersey



3 São Paulo



4 Barcelona



5 Cologne



6 London / South East



7 Beijing



8 Hong Kong



9 Tokyo



10 Sydney



11 Brisbane



12 Auckland

NORTH AMERICA

1
 Goodman Commerce Center, Los Angeles
Market: Los Angeles, California
Customers: E-commerce retailers & third-party logistics (3PL) companies targeting last-mile delivery
Features:

- + 37-acre site located in a high-income area with a strong consumer base, 5 miles north of Downtown LA
- + Immediate access to population of 18m in Metropolitan LA, with GDP of US\$1.0tn (the 3rd largest city by GDP in the world) & consumption of \$635bn p.a.
- + Above average household income of \$70k & has grown by 6% p.a. since 2016
- + The infill site has direct access to the I-5 freeway – a major freeway that is integral to the supply chain of LA
- + Supports two-hour or same day delivery service

Project status

- + Site acquired, planning redevelopment into a modern logistics facility.

2
 Goodman Logistics Center, Teterboro
Market: New Jersey
Customer: Amazon
Features:

- + Located just 7 miles from Manhattan & adjacent to Route 46 offering immediate access to Interstate 80 & the New Jersey Turnpike
- + New York City has a population of 8m, with 20m people across greater New York Metropolitan area. Manhattan is the highest population density county in the US with approx 70k people per square mile
- + The Metropolitan area has a GDP of US\$1.7tn (2nd largest city by GDP in the world) & consumption of \$534bn p.a.
- + Location allows for two-hour & same day delivery service

Project status

- + Acquired September 2018 & leased to Amazon soon after.

BRAZIL

3
 Goodman Itaquera
Market: Itaquera, São Paulo
Customers: E-commerce retailers & 3PL companies targeting last-mile delivery
Features:

- + Development of two buildings totalling approximately 42,000 sqm on 73,000 sqm site
- + Infill location, 15 km from São Paulo downtown, 12 km from Guarulhos International Airport, 45 km from the Port of Santos
- + Located in the East Zone of São Paulo, accounting for 17% of the city's metropolitan population of 21m people, 44% of São Paulo's industrial plants & 32% of its commercial establishments
- + The only A grade industrial development in São Paulo city East Zone

Project status

- + Environmental approval obtained in May 2019
- + Construction permit process on schedule & expected to be concluded by the end of 2020 with development commencing soon after.

EUROPE

4
 Barcelona Port (I & II) Logistics Centre
Market: Barcelona
Customers: Amazon & Mercadona
Features:

- + Ideal for urban logistics or running fresh food operations from the site
- + Great accessibility to Barcelona's population of 4.8m people via E10 highway, Metro South line, railway station & international airport
- + Located in the Port of Barcelona which is a key port in the Mediterranean, with a capacity of 10m shipping containers p.a. It handles a quarter of all foreign trade out of Spain

Project status

- + Building 1 (Amazon): 9,000 sqm completed in Feb 2018
- + Building 2 (Mercadona): 11,000 sqm completed in Nov 2018.

5
 Cologne (I & II) Logistics Centre
Market: Cologne
Customers: DB Schenker (for Ford) & Amazon
Features:

- + Located in the "Feldkassel," a key trade & automotive hub with 23 automotive companies in the vicinity including Ford, which has its production plant adjacent to the site
- + Proximity to Ford was important given it is a key customer of DB Schenker
- + Close to the city centre which is home to over 1m people making it ideal for last-mile logistics to service the Cologne market
- + The site is located only 7 km from one of the largest inland ports in Germany & enjoys excellent road connectivity via direct access to the A1 motorway & a motorway ring that surrounds the centre, with access to 10 motorways in all directions

Project status

- + Fully operational.

UNITED KINGDOM

6
 Bedford 405, Bedford Commercial Park
Market: London to Midlands
Customers: Targeting e-commerce / 3PLs & companies wanting fast access to UK consumers
Features:

- + Customers will benefit from prime connectivity: 7 miles from the M1, 12 miles from the A1 & with strong rail links & proximity to the UK's airports & ports
- + Only 30 miles from outer London, the central location places 32m people within a two-hour drivetime
- + High-profile, roadside position provides customers with excellent brand exposure, with Bedford 405 highly visible to the 40,000 vehicles passing on the A421 each day
- + Access to a 16,200 strong readily-available workforce within a 30-mile catchment area

Project status

- + Completed in September 2019.

CHINA

7
 Goodman Landport Logistics Estate – Phase 5
Market: Greater Beijing
Customers: 11 customers across e-commerce, express delivery, cold chain & retail
Features:

- + Located in Greater Beijing, adjacent to the expressway that connects Beijing & Tianjin
- + Convenient access to major infrastructure including Beijing's new and second airport Tianjin International Airport & Tianjin Port

- + During China's upcoming major online sales event (11.11), volume of goods distributed from the Estate are expected to triple after Phase 5 becomes fully operational

Project status

- + Phase 5 comprising 105,000 sqm completed in June 2019
- + Total Goodman Landport Logistics Estate now comprises 270,000 sqm.

HONG KONG

8
 Goodman Tsuen Wan West – Building 1
Market: Hong Kong
Customers: Data centre operator pre-committed to a 15-year lease
Features:

- + Located between Hong Kong International Airport & CBD, adjacent to main container port – gateway to more than A\$1.5tn in annual trade
- + Dedicated high-voltage power supply, rare in the market, is leading the area to becoming a major data centre & IT hub in Hong Kong
- + From 2016 to 2021, global data expected to grow by 42% CAGR & global internet traffic projected to grow by 25% CAGR
- + Key demand drivers for data storage solutions include new technologies such as AI, automation, big data analytics & increasing usage of online content

Project status

- + Four towers planned with flexible design allowing for data centre, IT/telecommunications, commercial & industrial uses
- + Construction commenced mid 2019.

JAPAN

9
 Goodman Business Park
Market: Greater Tokyo
Customers: Leading companies across the technology, logistics, light manufacturing, consumer goods, apparel, pharmaceuticals, e-commerce & automotive sectors
Features:

- + A master-planned, business & technology precinct spanning over 500,000 sqm in Chiba Prefecture, Greater Tokyo. Currently features three sustainable state-of-the-art logistics facilities, with Stage 4 under development, substantially pre-leased to BMW Group
- + Located between Narita Airport & Tokyo CBD providing excellent connectivity to Greater Tokyo, the region with a population of over 40m accounting for highest economic activities in Japan
- + Multiple toll-free access routes including a train line providing direct access to central Tokyo (38min) as well as both Narita (25 min) & Haneda (70 min) airports
- + Immediately adjacent to a growing, young, high-population residential area providing sufficient local workers
- + Superior power infrastructure & outstanding business continuity features – seismically stable inland region outside of flooding zones
- + Attractive to data centre operators – Google plans to build its first data centre in Japan in this location

Project status

- + Stage 4 construction commenced in mid 2019.

AUSTRALIA

10
 Goodman Smithfield Distribution Centre
Market: Smithfield, Sydney, New South Wales
Customers: Small to medium size industrial customers seeking quality well-located property for general warehousing & logistics. Provides an incubator opportunity to connect with new customers from which greater relationships can be formed
Features:

- + An existing distribution centre, located within the established Smithfield industrial precinct, approximately 24 km west of Sydney's CBD
- + Opportunity to redevelop the existing 44,000 sqm property & build a modern multi-unit estate
- + The proposed design encompasses a mix of small to medium style warehouses
- + The 80,000 sqm site provides easy access to Sydney's motorway network

Project status

- + Demolition anticipated to commence in Q1 2020, with new facilities available to lease in Q4 2020.

11
 Redbank Motorway Estate
Market: Redbank, Brisbane, Queensland
Customers: Australia Post, TNT, DB Schenker, Zenexus, Northline & Tyres4U
Features:

- + The largest large-scale development in this multi-stage master-planned estate is to develop the largest parcel facility & distribution centre in the southern hemisphere for Australia Post
- + Australia Post is investing over \$200m in the facility including automated parcel sortation systems, robotics & automatic guided vehicles
- + Sustainability features include a 1MW solar power generation system, rainwater harvesting/truck wash water collection & recycling, LED light fixtures throughout with motion detection
- + The facility will be capable of processing up to 700,000 parcels per day. It will be Australia Post's key delivery hub & parcel processing centre in Queensland
- + The Australia Post site covers over 135,000 sqm & sits at the edge of three major motorway interchanges, providing multiple access points to arterial routes to ensure fast delivery to customers

Project status

- + Base building completed in 12 months including eight-months early access for Australia Post's automation construction
- + Australia Post operations due to commence in October 2019
- + Five earlier stages complete and fully operational for customers.

NEW ZEALAND

12
 Foodstuffs Distribution Centre, Mt Roskill
Market: Mt Roskill, Auckland
Customers: Currently Foodstuffs on a lease-back basis. Future customers following redevelopment: e-commerce, fulfilment & logistics
Features:

- + 13-hectare site in central infill location with direct access to motorway network, close to the airport, CBD & port
- + Access to population of 700,000 with purchasing power of NZ\$23bn within 20-min truck drive time
- + Acquisition in line with Goodman's strategy to own strategically located industrial assets in central Auckland infill locations
- + Current site coverage is less than 30% & with a light industrial zoning, the property also offers longer-term opportunity through intensification of use or redevelopment
- + Hold as income-producing site in the short term before redevelopment

Project status

- + Currently comprises 37,000 sqm of warehouse & office space together with associated yard & parking areas leased to Foodstuffs until 2021
- + The existing facilities will be refurbished & reconfigured following the lease expiry.



◀ **Ian Ferrier AM**
Independent Chairman
Appointed 1 September 2003



Penny Winn ▶
Independent Director
Appointed 1 February 2018



Greg Goodman ▶
Group Chief Executive Officer
Appointed 7 August 1998



◀ **Rebecca McGrath**
Independent Director
Appointed 3 April 2012



Phillip Pryke ▶
Independent Director
Appointed 13 October 2010



◀ **Chris Green**
Independent Director
Appointed 28 April 2019

BOARD

OF DIRECTORS



Stephen Johns ▶
Independent Director
Appointed 1 January 2017



◀ **Danny Peeters**
Executive Director, Continental Europe and Brazil
Appointed 1 January 2013



◀ **Anthony Rozic**
Deputy Group Chief Executive Officer
and Chief Executive Officer, North America
Appointed 1 January 2013



Company Secretary ▶
Carl Bicego
Appointed 24 October 2006



Five year financial summary

	2015 \$M	2016 \$M	2017 \$M	2018 \$M	2019 \$M
Income statement					
Gross property income	206.1	204.6	177.1	150.4	114.6
Management income	215.3	259.3	266.3	316.5	469.7
Development income	763.7	1,250.4	1,207.1	1,115.8	1,134.3
Net gain/(loss) on disposals of assets	41.5	(26.7)	129.1	108.1	27.9
Net gain from fair value adjustments on investment properties	515.9	327.8	180.9	71.1	146.8
Share of net results of equity accounted investments	614.1	928.6	587.7	910.9	1,132.5
Total income	2,356.6	2,944.0	2,548.2	2,672.8	3,025.8
Property expenses	(59.4)	(63.9)	(46.9)	(36.4)	(40.2)
Development expenses	(619.0)	(929.1)	(919.9)	(808.9)	(727.3)
Employee expenses	(144.8)	(172.6)	(195.9)	(180.7)	(191.9)
Share based payments expense	(51.0)	(66.9)	(85.4)	(125.6)	(196.6)
Administrative and other expenses	(76.2)	(79.1)	(76.5)	(68.7)	(75.8)
Impairment losses	(28.2)	(249.1)	(93.0)	—	—
Net finance costs	(127.8)	(13.0)	(279.4)	(267.3)	(49.3)
Total expenses	(1,106.4)	(1,573.7)	(1,697.0)	(1,487.6)	(1,281.1)
Profit before income tax	1,250.2	1,370.3	851.2	1,185.2	1,744.7
Income tax expense	(21.0)	(75.6)	(54.4)	(82.4)	(116.8)
Profit for the year	1,229.2	1,294.7	796.8	1,102.8	1,627.9
Profit attributable to other non-controlling interests	(21.2)	(20.1)	(18.7)	(4.6)	—
Profit attributable to Securityholders	1,208.0	1,274.6	778.1	1,098.2	1,627.9
Operating profit reconciliation (non-IFRS)					
Operating profit adjustments for:	653.5	714.5	776.0	845.9	942.3
Property valuation related movements	709.7	614.4	397.6	639.0	871.7
Fair value adjustments and unrealised foreign currency exchange movements related to liability management	(99.8)	81.5	(243.8)	(174.4)	17.0
Other non-cash adjustments or non-recurring items	(55.4)	(135.8)	(151.7)	(212.3)	(203.1)
Profit attributable to Securityholders	1,208.0	1,274.6	778.1	1,098.2	1,627.9
Operating profit per stapled security (cents)¹	37.2	40.1	43.1	46.7	51.6
Dividends/distributions per security (cents)	22.2	24.0	25.9	28.0	30.0

1. Fully diluted for performance rights.

	2015 \$M	2016 \$M	2017 \$M	2018 \$M	2019 \$M
Statement of financial position					
Cash, receivables and contract assets	1,137.0	1,774.5	2,681.9	3,088.7	2,271.6
Property assets	4,337.7	4,096.5	3,245.7	2,732.6	2,966.1
Equity accounted investments	4,508.8	5,348.1	5,522.7	6,585.5	8,452.4
Intangible assets	976.4	780.6	771.9	816.7	840.0
Other (including derivative financial instruments)	302.4	387.4	489.0	235.9	382.7
Total assets	11,262.3	12,387.1	12,711.2	13,459.4	14,912.8
Payables, provisions and contract liabilities	732.0	747.4	866.6	918.4	944.1
Interest bearing liabilities	2,707.9	2,865.2	2,878.3	3,081.5	2,975.0
Other (including derivative financial instruments)	446.3	381.2	344.1	285.8	471.2
Total liabilities	3,886.2	3,993.8	4,089.0	4,285.7	4,390.3
Net assets	7,376.1	8,393.3	8,622.2	9,173.7	10,522.5
Comprising:					
Net assets attributable to Securityholders	7,050.3	8,067.5	8,296.4	9,173.7	10,522.5
Net assets attributable to other non-controlling interests	325.8	325.8	325.8	—	—
Net tangible assets per security (\$)	3.46	4.10	4.21	4.64	5.34
Gearing ratio (%)	17.3	11.8	5.9	5.1	9.7
Statement of changes in equity					
Total equity at the beginning of the year	6,230.4	7,376.1	8,393.3	8,622.2	9,173.7
Total comprehensive income for the year	1,429.2	1,298.5	678.2	1,304.9	1,795.4
	7,659.6	8,674.6	9,071.5	9,927.1	10,969.1
Contributions of equity, net of transaction costs	89.3	95.5	—	—	—
Distributions provided or paid	(388.3)	(408.0)	(481.2)	(504.2)	(544.2)
Other transactions with equity holders	36.7	51.3	62.5	82.4	97.6
Movements in other non-controlling interests	(21.2)	(20.1)	(30.6)	(331.6)	—
Total equity at the end of the year	7,376.1	8,393.3	8,622.2	9,173.7	10,522.5
Cash flow statement					
Net cash provided by operating activities	654.7	830.1	586.4	1,161.2	827.5
Net cash (used in)/provided by investing activities	(147.8)	160.0	730.0	(26.5)	(818.2)
Net cash used in financing activities	(120.3)	(399.6)	(556.3)	(799.2)	(849.2)
Net increase/(decrease) in cash held	386.6	590.5	760.1	335.5	(839.9)
Cash at the beginning of the year	359.9	746.5	1,337.0	2,095.1	2,406.8
Effect of exchange rate fluctuations on cash held	—	—	(2.0)	(23.8)	40.2
Cash at the end of the year	746.5	1,337.0	2,095.1	2,406.8	1,607.1

Securities information

Top 20 Securityholders As at 29 August 2019	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	705,361,384	38.89
2. J P Morgan Nominees Australia Limited	571,656,949	31.52
3. Citicorp Nominees Pty Limited	156,554,152	8.63
4. National Nominees Limited	73,751,533	4.07
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	54,295,078	2.99
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	31,813,416	1.75
7. BNP Paribas Noms Pty Ltd <DRP>	28,443,298	1.57
8. Trison Investments Pty Ltd	16,874,053	0.93
9. Beeside Pty Limited <The Beeside A/C>	13,192,040	0.73
10. AMP Life Limited	10,793,339	0.60
11. HSBC Custody Nominees (Australia) Limited – GSCO ECA	4,959,900	0.27
12. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	4,511,017	0.25
13. UBS Nominees Pty Ltd	4,429,793	0.24
14. Australian Foundation Investment Company Limited	3,805,000	0.21
15. HSBC Custody Nominees (Australia) Limited	3,749,206	0.21
16. BNP Paribas Noms (NZ) LTD <DRP>	3,480,854	0.19
17. National Nominees Limited <N A/C>	3,028,754	0.17
18. Custodial Services Limited <Beneficiaries Holding A/C>	2,040,804	0.11
19. Avanteos Investments Limited <Encircle IMA A/C>	1,797,874	0.10
20. HSBC Custody Nominees (Australia) Limited <A/C 2>	1,764,293	0.10
Securities held by top 20 Securityholders	1,696,302,737	93.52
Balance of securities held	117,579,258	6.48
Total issued securities	1,813,881,995	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1–1,000	10,651	4,993,626	0.28
1,001–5,000	12,211	29,533,064	1.63
5,001–10,000	2,737	19,402,044	1.07
10,001–100,000	1,524	32,404,512	1.79
100,001–over	97	1,727,548,749	95.24
Rounding			-0.01
Total	27,220	1,813,881,995	100.00

There were 617 Securityholders with less than a marketable parcel in relation to 3,501 securities as at 29 August 2019.

Substantial Securityholders ¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Vanguard Group Inc.	165,056,520
Blackrock Investment Management Limited	147,689,591
State Street Global Advisers	92,194,481

1. In accordance with latest Substantial Securityholder Notices as at 29 August 2019.

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

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

On-market buy-back There is no current on-market buy-back.

Corporate directory

Goodman Group

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839

Responsible Entity of Goodman Industrial Trust
Goodman Funds Management Limited
ABN 48 067 796 641
AFSL Number 223621

Goodman Logistics (HK) Limited
Company No. 1700359
ARBN 155 911 149

Registered offices

Level 17
60 Castlereagh Street
Sydney NSW 2000
Australia
GPO Box 4703
Sydney NSW 2001

Telephone 1300 791 100 (within Australia)
+61 2 9230 7400 (outside Australia)

Facsimile +61 2 9230 7444

Suite 901
Three Pacific Place
1 Queen's Road East
Hong Kong

Telephone +852 2249 3100
Facsimile +852 2525 2070
Email info-au@goodman.com
Website goodman.com

Other offices

Allentown	Guangzhou	New Jersey
Amsterdam	Hamburg	Osaka
Auckland	Hong Kong	Paris
Beijing	Kraków	Poznań
Birmingham	London	Prague
Brisbane	Los Angeles	São Paulo
Brussels	Luxembourg	Shanghai
Budapest	Madrid	Sydney
Chengdu	Melbourne	Tokyo
Düsseldorf	Milan	Warsaw

Directors

**Goodman Limited and
Goodman Funds
Management Limited**

Ian Ferrier AM
Independent Chairman
Greg Goodman
Group Chief Executive Officer
Chris Green
Independent Director
Stephen Johns
Independent Director
Rebecca McGrath
Independent Director
Danny Peeters
Executive Director
Phillip Pryke
Independent Director
Anthony Rozic
Executive Director
Penny Winn
Independent Director

Company Secretary
Carl Bicego

Security Registrar

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Australia
GPO Box 1903
Adelaide SA 5001
Telephone 1300 723 040 (within Australia)
+61 3 9415 4043 (outside Australia)
Facsimile +61 8 8236 2305
Email investorcentre.com/contact
Website computershare.com

Auditor

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

ASX code

GMG

**Goodman Logistics
(HK) Limited**

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

Company Secretary
**Goodman Secretarial
Asia Limited**

Custodian

The Trust Company Limited
Level 18, 123 Pitt Street
Sydney NSW 2000
Australia

Disclaimer

This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate. This document is not an offer or invitation for subscription or purchase of securities or other financial products. It does not constitute an offer of securities in the United States. Securities may not be offered or sold in the United States unless they are registered under the US Securities Act of 1933 or an exemption from registration is available. This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Goodman Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. All values are expressed in Australian currency unless otherwise stated. September 2019.





Goodman⁺

SPACE FOR THE WORLD'S GREATEST AMBITIONS

This page has been left blank intentionally

Contents

Chairman's letter	02
Group Chief Executive Officer's letter	04
Group operational performance	06
Space for the world's greatest ambitions	08
Corporate responsibility and sustainability	11
The Goodman Foundation	16
Goodman's global network	19
Corporate Governance	20
Corporate responsibility and sustainability statement	21
Consolidated Financial Report for Goodman Limited	23
Appendix A – Consolidated Financial Report for Goodman Logistics (HK) Limited	175
Securities information	232
Glossary	234
Corporate directory	236

Chairman's letter

Big picture

Goodman has performed very well this year and the results have been driven by the continued and successful execution of our long-term strategy.

Our financial highlights include:

- + Operating profit of \$942 million, up 11.4% on FY18
- + Statutory profit of \$1,628 million, up 48% on FY18
- + Operating earnings per security (EPS) of 51.6 cents, up 10.5% on FY18
- + Distribution per security (DPS) of 30.0 cents, up 7% on FY18
- + Maintenance of a strong financial position with balance sheet gearing stable at 9.7%
- + Group liquidity of \$2.7 billion available, \$1.6 billion in cash (excludes available liquidity of \$13.6 billion in Partnerships)
- + Total Securityholder return of 59.4% over one year and 223.4% over five years.

A strategy for the future

Goodman's success, particularly over the past five years, is due to our consistent execution of our long-term global strategy. With this strategy to guide us, we've balanced our financial and human resources to leverage opportunities and address ever-changing market conditions.

Our strategy is customer-led. Not only are we driven by the structural changes shaping our industry, we are responsive to the trends that impact our customers' businesses, such as the expectation for faster deliveries and supply chain improvements. We have shifted both the location and type of properties we develop to accommodate these evolutionary changes occurring in the industrial sector. Our properties are now concentrated in high-demand locations as evidenced by the \$3.8 billion increase in property valuations over the year.

Goodman's international business has continued to grow, with 68% of earnings and most of our team now spread across 16 countries outside Australia. The Group has invested in the US and Greater China with returns now starting to materialise.

In the last three years, we expanded our US presence and grew assets under management from around \$1 billion to a portfolio with a built-out value of more than \$5 billion. Our strategy has been to monetise the existing land bank while developing strong relationships with customers, capital partners and local stakeholders.

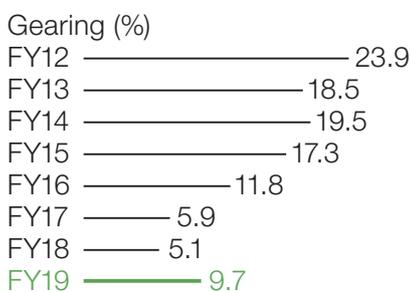
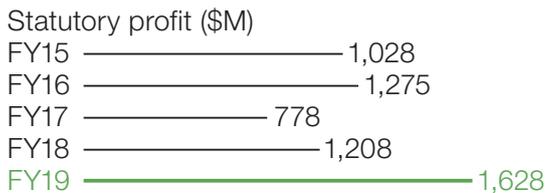
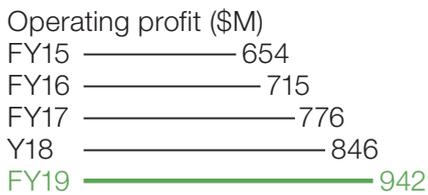
All regions contributed to this year's strong result. During the year in Asia, our assets under management grew to \$16 billion. We achieved higher valuations and a 99% occupancy rate, primarily driven by a focus on quality, scale and intensification opportunities.

In Europe, our determined focus on quality assets and service has produced positive results. Our operations in Australia and New Zealand have also continued to deliver strong results as the structural changes driving our industry begin to be realised, enabling us to maintain our market-leading positions.

Outcomes of this scale take time, foresight and patience. They take the ability to foster capital partner relationships as well as to keep our customers close and adapt to their changing needs, so their businesses thrive long term.

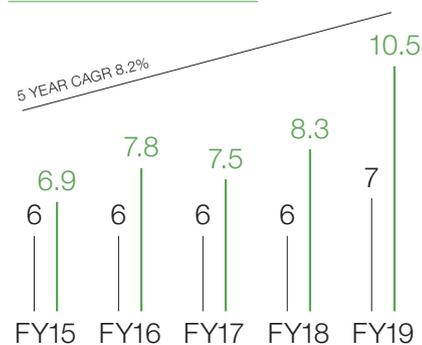
They also require a global team united in working consistently towards the positive, sustainable returns we have once again achieved.

Goodman's people and culture are fundamental to our success. These results are contingent on our strong local expertise in each of our regions and a leadership team dedicated to transparency, ethics and corporate governance.



Operating EPS growth

Operating EPS growth target (%)
 Operating EPS growth achieved (%)



Total Securityholder return relative performance



Aligning interests

The Group’s collaborative approach to remuneration continued, seeing our long-term returns shared between Securityholders, capital partners and Goodman’s people.

While our commitment to the equitable allocation of rewards remains consistent, the Board this year initiated changes to increase transparency and rigour around our remuneration structure. The framework aims to not only deliver superior returns but to influence long-term decision-making and reinforce the Group’s cultural values and behaviour.

Our remuneration policy further aligns all Goodman people with Securityholders. It adds significant value to the Group, by providing a critical differentiator to generate and reward long-term performance and retain the best people in a highly-competitive global environment.

Board changes

The Goodman Board welcomes Chris Green as an Independent Director of Goodman Limited and Goodman Funds Management Limited and a member of the Audit Committee.

Chris is the Founder and Chief Executive Officer of a US based firm that invests in real estate innovation and technology. Prior to this he spent 16 years at Macquarie Group where he was the Global Head of Macquarie Capital’s real estate business.

I am proud of Goodman’s performance and the commitment of its management and people around the world to implement what has proven to be a very successful customer-focused strategy.

On behalf of the Board, I sincerely thank our customers and investors for their continued support and all of Goodman’s people for their contribution.

Sincerely,



Ian Ferrier AM
 Independent Chairman

Group CEO's letter

Connecting customers

At Goodman, we're looking at the structural changes taking place around the world and continuing to build a sustainable business, positioned to capitalise on these changes. Our ambition is to help our customers grow and succeed in this ever-changing environment.

Urbanisation, rising consumerism and an increasing need for convenience are continuing unabated. This is driving our customers to evolve and automate their supply chains to keep up with consumer expectations.

Those expectations are constantly escalating. Whether they are an e-commerce operator, a fresh food grocer or a pharmaceutical company, our customers are working to meet consumers' demand for immediacy. If they can't deliver quickly and conveniently, consumers will go elsewhere.

The industrial market has evolved and the nature of developments has changed. At Goodman, we are seeing things such as multi-storey facilities in land-constrained markets and the introduction of automation, data capture and analytics to improve supply chain efficiency.

The most critical factor for our customers is how close their facility is to their customers, allowing more competitive speed to market.

Structural changes boosting our performance

Goodman had strong growth in statutory and operating profit for the year to 30 June 2019. The result reflects our work over several years to concentrate our \$46 billion portfolio in consumer-focused locations, where structural changes have had a significant positive impact on our results.

All of our businesses performed well during the year, together producing this exceptional result. The property portfolio continued to experience high occupancy levels and rental growth due to the strategic location of our buildings.

Our investment management business enjoyed strong results and our development programme continued to grow in response to the strong performance of our markets. Work in progress around the world grew to \$4 billion and is expected to reach around \$5 billion in the next 12 months.

Our Partnerships, meanwhile, benefited from development completions and revaluation gains, leading to growth in external assets under management. The Group delivered a total return of 16% across the Partnerships for the year. It was a strong result for our partners and one we are proud of, reflecting the consistent outperformance of our global portfolio in a volatile environment.

Moreover, we achieved these results while maintaining a low gearing level of 9.7% and significant equity commitments and available liquidity of \$16.3 billion across the Group and Partnerships.

Sustainability

This year, we did a comprehensive review of our sustainability approach to better balance the needs of all our stakeholders.

Our resulting 2030 Sustainability Strategy is based on the three pillars of property, people and culture and corporate performance. These pillars align with our purpose – making space for greatness. Each contains clear targets we will report on annually, keeping us focused on our momentum to date.

Looking ahead

There is ongoing pressure on land use in the markets in which we operate and the barriers to entry are getting higher. Factors include competing demand from e-commerce, data centre users and urban renewal.

Our portfolio's concentration in urban centres is critical. It will support our customers' supply chain evolution over the next five to ten years, generate resilient cash flows, and provide opportunities for more valuable uses in the long term.

Our customers' needs continue to change. Recognising this, we have built specialist infrastructure around the world to meet their demands and have focused, over several years, on incremental site acquisitions in high-barrier-to-entry markets. This has enabled us to redevelop these existing sites at the right time, providing our customers with contemporary facilities in key locations, close to their consumers.

While the market for industrial real estate looks strong, we continue to monitor world events. Our business is diverse and structured to withstand market volatility, yet we remain conservative and prudent in managing our capital. We are maintaining our low leverage, deploying our capital efficiently within our Partnerships and delivering on our forecasts to drive sustainable growth over the long term.

FY20 forecast

Operating profit

\$1,040 million

+ up 10.4% on FY19

Operating EPS

56.3 cents

+ up 9% on FY19

Distribution per security

30 cents

Team effort

I am proud of the Goodman team and I thank all of our people for what they are achieving for our stakeholders through their dedication and hard work.

Goodman Group is a global collective of people who are aligned with and incentivised by our mutual success over the long term.

This long-term approach drives our decisions, evidenced by the fact we are now seeing the benefits of a strategy implemented five to ten years ago. We have not allowed ourselves to become complacent and remain focused on delivering results for all our stakeholders.

I would like to thank our customers, capital partners and investors, too, for their ongoing support. Together, we are achieving great things.

Sincerely,



Greg Goodman

Group Chief Executive Officer

Group operational performance

High performance

The Group has delivered another strong operating performance in FY19 as customers continue to demand proximity to consumers. This is due to the fundamental strength of our \$46 billion portfolio, and our development and management businesses, which have been positioned to take advantage of the structural changes we are seeing around the world.

OWN

Portfolio concentration in infill markets is delivering strong returns

At Goodman, we use our local market knowledge to source quality locations so that our 1,600+ customers can be close to their customers. The location and quality of our portfolio in key urban centres have continued to drive underlying returns, resulting in high occupancy and rental growth.

The supply constraints in these markets are contributing to the strong underlying fundamentals which are driving future growth.

Key property investment highlights include:

- + 3.4 million sqm leased equating to \$478 million of annual property income
- + Portfolio occupancy maintained at 98%
- + Weighted average lease expiry (WALE) of 4.7 years
- + Like-for-like net property income growth of 3.3%¹.

1. Excludes on balance sheet assets

We have a diverse range of global and local customers across industries including e-commerce, logistics, retail, automotive, pharmaceutical and technology.

Top 20 global customers (By net income – look through basis)

Amazon	5.1%
Deutsche Post (DHL)	2.5%
A.P. Moller – Maersk	1.9%
Japan Post (Toll)	1.7%
DB Schenker	1.6%
Iron Mountain	1.2%
Georgia-Pacific	1.1%
Coles Group	1.0%
Kuehne + Nagel	1.0%
JD.com	1.0%
Equinix	0.9%
BMW Group	8%
Zalando	0.8%
SF Express	0.7%
syncreon	0.7%
Walmart	0.7%
IVE Group	0.7%
Mainfreight	0.7%
Coca-Cola Amatil	0.7%
Metcash	0.6%

DEVELOP

Structural demand expected to drive growth in WIP to around \$5 billion in the near term

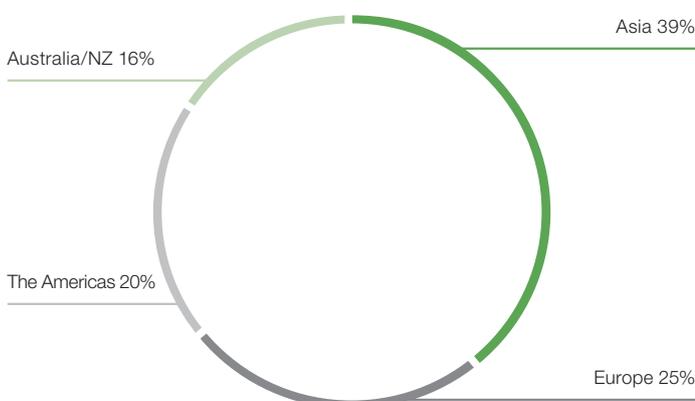
Increased customer demand, driven by structural changes in our markets, is giving us greater confidence to escalate development activity. As a result, our development workbook is growing strongly. Commencements have increased to \$4.2 billion while work in progress (WIP) has increased 14% to \$4.1 billion across 55 projects in 13 countries. This is expected to reach approximately \$5 billion in the next 12 months.

The concentration on urban logistics developments is changing the nature of our projects. Land scarcity is driving the need for multi-storey developments, automation and robotics require higher-quality facilities, while there is an ever-increasing need to integrate sustainability features into the building. We are building properties that are flexible and adaptable to accommodate the demands of the future. These projects are more complex, however, we have the skills, infrastructure and financial resources to deliver.

Other key development highlights include:

- + Development completions of \$3.9 billion
- + 81% committed on completion
- + 80% of WIP undertaken within Partnerships.

Work in progress as at 30 June 2019



MANAGE

Strong performance of the Partnerships and AUM growth is increasing earnings

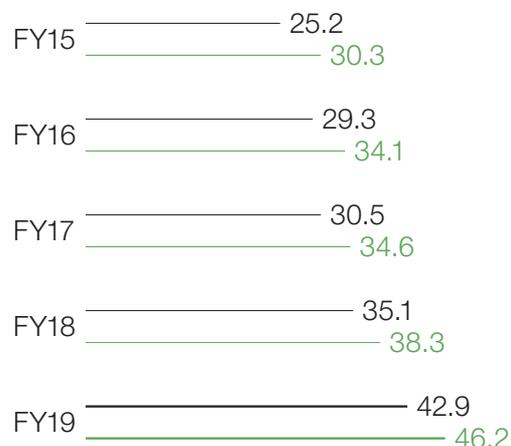
Development completions and revaluation gains led to 22% growth in external assets under management to \$43 billion. The Group delivered an average total return of 16% across the Partnerships for FY19 and 16.4% p.a. over the last five years.

We raised and deployed more capital in Partnerships to fund the growth in development work, with \$900 million invested by the Group over the year.

Other key management highlights include:

- + Management earnings up 48% on FY18
- + Global weighted average cap rate (WACR) tightening to 5.1%
- + \$13.6 billion in equity commitments and available liquidity.

Assets under management



Partnership AUM (\$B) Total AUM (\$B)

Space for the world's greatest ambitions

Fasten your seatbelts the future is coming

Meet three companies whose ambitions are changing the way we all live and work, for the better. Companies whose passion and drive are helping to shape our industry, accelerate our customers' businesses and make the world a more interesting place for all of us.

Ambition 01

Delivery in 30 minutes or less

Company: Hema

Location: China

A new retail concept is delivering in China in under 30 minutes.

Since online retail catapulted into existence, customer service expectations have been raised across all forms of retail. Now with the proliferation of Hema's dynamic fresh food offering, expectations are set to rise again.

Launched by e-commerce giant, Alibaba, Hema is an ambitious new retailer in China. It's a physical place to shop, a dine-in restaurant and a distribution centre for online orders, all rolled into one. It also offers 30-minute delivery within a three kilometre store radius in major Chinese cities.

"Hema has been developed in a way that no one has ever done before," says Hema CEO, Mr Hou Yi. "Where other people saw problems, we saw opportunities. And because Alibaba is willing to adventure and to test, we are willing to invest in the future."

The Hema experience is certainly unique. Digital technology permeates every transaction and interaction, and it all hinges around the Hema app. It's how customers place an online order, check out and pay in store, access detailed product information, book a table at the robot-run restaurant and place an order.

When you're in store, there is a constant buzz. Uniformed Hema staff rush around picking orders for online customers that then get pegged to a conveyor belt and shoot up into the ceiling ready for delivery. There are no cashiers, only kiosks. You can have restaurant staff cook the food you've purchased and have a robot serve it to you on site.

Of all the new experiences Hema offers, however, it's the 30-minute delivery guarantee that's gaining traction. Only for customers within a three kilometre store radius, it's said to be impacting real estate prices giving 'Hema Nearby Houses' a soaring advantage.

Delivery in 30 minutes means commuters can shop for dinner on their way home and for others it means not having to even leave the house.

"Many families include elderly people who are buying food. It is not convenient to go up and down their buildings. It is also dangerous to encounter wind and rain," explains Mr Hou.

Since Hema first started in 2016, it has opened more than 160 stores. Mr Hou hopes to expand its supply chain to include a wide variety of innovative product lines and bring in the very best of the world's produce. To this end, Hema is working with agricultural partners from around the world to launch products such as fresh dairy products and premium beef to support the lives of millions of families.

Even with such great ambitions, Mr Hou remains humble. "There are many places that need to be perfected," he says, "so we continue to rethink and iterate. You will see that Hema is constantly exploring new products and new scenarios. We will always pursue perfect and pursue better."

Watch the Hema video and see how a delivery can be made within 30 minutes in a country of 1.5 billion people.

goodman.com/hema

Ambition 02

Eliminate global food waste

Company: Soft Robotics

Location: Boston

A robotics start-up is revolutionising supply chains with an octopus-inspired robot.

There are two things you need to know about soft robotics. First, it's an academic field that's developing robots out of rubbery, non-rigid materials. Second, it's the name of an ambitious Boston start-up that's having a huge effect on supply chains across the e-commerce, advanced manufacturing and food production industries.

"We're a company that took that field of work out of Harvard University about six years ago because it solves a really important part of robotics," explains Carl Vause, CEO, Soft Robotics, "which is, how to get a robot to interact with things that vary, in size, shape, weight or are soft and easily damaged."

If you've had any experience with robotics, you'll know that robots are very good at simple tasks, like moving something from one part of a factory to another. What they haven't been very good at, however, is picking up and packing a range of different items, particularly delicate food items like eggs or strawberries, or flimsy apparel items. That is, until now.

One of the things that makes Soft Robotics different is its technical approach. When discussing the early development work by Professor George Whitesides, the company's academic founder, Carl says, "Instead of using the human hand as inspiration, he used the octopus as the inspiration."

What this shift in perspective ultimately led to is a soft robotic hand, also commonly known as a gripper, that gently wraps around items and envelops them. In this way, a single robot can pick up an infinite number of items – big, small, soft, round.

When you think that now any one robot can have the ability to handle the huge variety of products that line our supermarket shelves, it's revolutionary. Which is good news for companies looking to make supply chain improvements.

"They say that 20% to 30% of the food grown in California goes to waste in the supply chain. In the actual scenario," clarifies Carl, "it's somewhere between 40% and 50%. And a lot of that is due to wastage in handling. It's ridiculous how much food gets thrown away."

Carl believes this level of food wastage is unacceptable because it's unnecessary. He claims that with their technology, food companies can already reduce waste significantly, adding that soft robotics will soon be the new standard.

"When a large percentage of food doesn't get to market, it makes the price of the food that did get to market go up," says Carl. "It also wastes the time and resources spent growing and watering that food, and when it goes bad it has to be ploughed under which creates more greenhouse gases."

Whether you're vegan or carnivore, we all play a part in the food supply chain and, equally, food waste affects us all, but this is one company that's doing something that will help everyone. "We want to make a world," Carl says, "where Soft Robotics can ensure that all food that is grown or farmed, gets to market."

Watch the Soft Robotics video and see how robots are helping to reduce food waste.

goodman.com/softrobotics

Space for the world's greatest ambitions

(continued)

Ambition 03

Reshape the surface of our planet

Company: Bjarke Ingels Group

Location: Barcelona/Copenhagen/London/New York
A non-conformist group of architects is moulding our planet around people.

The Danish word for design translates as Formgiving – giving form to that which does not yet exist. And it's the perfect word to describe Danish architects Bjarke Ingels Group, or BIG, that regularly give form to ideas that are far too wild for the average imagination.

Kai-Uwe Bergmann, a partner at BIG, gives us some insight. "We usually describe ourselves as a kind of thinker. Architects, certainly, but also designers and engineers. You simply can't think you know the entire solution from a singular perspective. You need many different vantage points, or people, to think about a problem to be able to truly solve it," he says.

BIG's commitment to pushing boundaries is unrivalled. Taking an unshackled approach to the past and putting human experience at the centre of every creation, BIG's view is that future cities are going to be a lot more about how we live and work together.

"We all inherit our way of life from previous generations," says Kai who points out that many of the houses and apartments we live in represent the way people lived 50 to 100 years ago. BIG believes in designing for the future by being sustainable and creating flexible spaces that are malleable enough to adapt to the needs of future generations, as well as the current ones.

One question BIG often asks itself is how to create environments that are equitable and at the same time generous for people. "We can all see that more and more people are moving towards cities," explains Kai. "A few years ago, it was 50% of the world's population, by 2050 it will be around 70%."

This kind of generosity is evident in one of BIG's current projects, the Dryline (also known as the BIG U) in New York. An increased number of weather events means the design of waterfront areas is regularly being put to the test. BIG was tasked to come up with a solution that would provide flood protection for Manhattan's waterfront areas, without segregating the city from the surrounding sea.

Inspired by the High Line in New York, BIG designed a protective sea structure that would enhance the liveability for residents. Co-designed with people in the local areas, the Dryline incorporates seating pavilions, art walls and cycle paths.

For BIG, the key to successfully creating infrastructure is to consider how people will ultimately use it. "I think it's a lot about how you find balance between the needs – in terms of a city densifying itself – and that of actually creating a higher quality of life," says Kai, "which we are always looking for."

Kai points out that BIG often starts thinking about systems before they put pen to paper on architectural design. "Logistics centres are critical when considering the system that you need for a city to grow and to thrive," he says, describing logistics as being akin to veins that move nutrients and energy around, making them accessible.

The Dryline project is one way to help safeguard our increasingly-urban population, but not surprisingly, it's not the only solution BIG is working on. Currently, the team is fixated on amphibious architecture – a floating city.

Supported by the United Nations in response to future rising sea levels, floating cities is a self-sustaining idea that would have the capability of housing up to 10,000 displaced people.

"We're building a prototype to consider how we would live", explains Kai, "because as soon as you live on a floating city you have to start thinking about food production and then you need full cycle, or circular, economies and ecosystems that deal with energy and waste."

We asked Kai if BIG's work has been described as ambitious in the past. "Yeah," he says laughing. "Although it is a word that a lot of people would use, I think, at least my hope is, that we also have the follow through."

Watch the BIG video and see how they are helping improve the sustainability of cities.
goodman.com/big

Corporate responsibility and sustainability

Positive impact

We understand the world is constantly changing and to be part of the future we must remain agile and open to new ways of working. It's in this way we aim to give our customers the space they need to succeed by providing sustainable solutions and unparalleled service in high-quality locations now and into the future. Goodman cares about the future of the planet and all the people in it and we strive to have a positive impact on the world. We believe that a sustainable approach makes good business sense and seek to work with stakeholders who feel the same.

By aligning our corporate responsibility and sustainability vision with our purpose, we believe we can make space for greatness for all our stakeholders.

2019 HIGHLIGHTS

1. 100% of Goodman's global developments include sustainable design initiatives such as LED or natural lighting and drought tolerant landscaping.
2. Goodman Group and the Goodman Japan Core Partnership were awarded Sector Leader in the 2019 GRESB survey.
3. Certified developments were completed across Continental Europe, Japan, China and the United States.
4. Goodman Pudong Airport Logistics Park in China won the world's first Platinum award under the new LEED v4.1 O+M tool for warehouses.
5. Goodman has more than 40MW of solar PV installed on our rooftops across the global portfolio.
6. The Australian portfolio was benchmarked using Goodman's internal sustainability rating tool, which helps allocate capital for sustainability improvements.
7. Goodman reduced energy use by approximately 11% across the Australian office portfolio.
8. Goodman committed to increasing efforts to eradicate potential instances of modern-day slavery in our supply chains.
9. Goodman has committed to the Task Force on Climate-Related Financial Disclosures' guidelines for climate risk management.
10. The Goodman Foundation and Goodman employees contributed 13,140 hours and almost \$5.7m to community and philanthropic causes.

SUSTAINABILITY

Committing to the long term

2030 Sustainability Strategy

Sustainability is about long-term thinking and leadership. We've always taken a sustainable approach that leads to positive economic, environmental and social outcomes for our business, our stakeholders and the world more broadly.

This year, we comprehensively reviewed our practice, taking into account our continued growth and strong financial performance. The result is our 2030 Sustainability Strategy which builds on the momentum of our work to date, aligns with our purpose of 'Making space for greatness' and takes a more proactive approach to the challenges and opportunities of the future.

Our 2030 Sustainability Strategy is structured around three pillars. These are linked to a set of material issues, with each pillar backed by short and long-term environmental, social and governance (ESG) targets. Our progress on these targets will be reported annually later in the year, leading up to 2030.

Strategic pillars



Property



People and culture



Corporate performance

Addressing the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) address the world's most significant challenges such as poverty, the planet, gender equality, clean water and climate change.

We have identified eight of the 17 SDGs as most relevant to our business. These shared global goals are another way we anchor ourselves to the power of collective leadership to ensure a sustainable future for all.

- 03 Good health and well-being
- 07 Affordable and clean energy
- 08 Decent work and economic growth
- 09 Industries, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 15 Life on land

Corporate responsibility and sustainability (continued)



PROPERTY

All the right places

To make space for greatness, Goodman focuses on securing key sites for properties that will stand the test of time. We know that well located, designed and managed properties are better prepared for the challenges of tomorrow. They are more flexible to meet customer needs, support their ongoing health and well-being, and are more resilient to climate impacts and generally experience higher occupancy rates. This maximises their asset value and is a sign that the properties are being used efficiently.

While our target is to use 100% renewable energy by 2025, this will be influenced by regional policies and energy markets. Our increasing proportion of rooftop solar, lighting upgrades and a raft of other energy efficiency measures will all contribute to our projected carbon neutral status.

Material issues

- + Sustainable design and management
- + Strategic locations
- + Customer attraction and retention
- + Climate risk and resilience
- + Carbon reduction strategies
- + Smart energy solutions
- + Flexible and adaptable properties.

Target

100% renewable energy use within our operations by 2025

Progress

Increased use of renewable energy globally in rooftop solar investments and installations

Commenced programme to purchase renewable energy through power purchase agreements



100MW of solar PV in operation by 2025

Approximately 40MW of solar PV installed on Goodman's rooftops globally

This includes 4MW of solar PV installed in Japan and Continental Europe this year

Design underway for further solar installations in all regions



Carbon neutral operations by 2025

Continued investment in on-site and off-site solar energy and other efficiency projects

Continued roll out of energy efficiency measures including energy tracking, LED lighting upgrades, translucent roof sheeting and sub-metering

Investigating offsetting to achieve carbon neutral day-to-day operations (excluding development activities)



Maintain >95% overall occupancy rate

Assessed average occupancy rate at 98% (target set at >95% in acknowledgement that external factors cause occupancy rates to fluctuate).





PEOPLE AND CULTURE

Team approach

To achieve success, any organisation needs great people. That's why we base our recruitment around merit, local knowledge and cultural fit. We're always on the look-out for smart people who are aligned with our values and long-term thinking. Once on board, we incentivise our team to think strategically, work collaboratively and undertake programmes to improve their well-being.

We also think beyond the needs of just our internal team and actively support our customers and suppliers, too. We have aligned commitments to their workforces and have a plan to expand our business ethics programme to look at the human rights and social equity aspects of our global supply chains.

Importantly, we have a safety target of zero workforce fatalities. We believe the best way to achieve this is through strict workplace safety standards and making safety a responsibility for everyone.

Material Issues

- + Workplace safety
- + Group and regional leadership
- + ESG performance targets
- + Diversity and inclusiveness
- + Promotion of the Goodman values
- + Social equity
- + Customer well-being.

Target rating

Progress

Zero workforce fatalities

Implemented initiatives including:

- + Goodman safety framework
- + Safety in design guidelines
- + Critical risk controls
- + Safety training and contractor management procedures



Global supply chain ethics policy

Outlined a two-year plan in which we will:

- + Expand our business ethics programme
- + Look at the human rights and social equity of our global supply chains
- + Assess our supply chains for risks such as modern-day slavery and bonded labour



Gender ratio of 50/50, with 40% female senior executives

Assessed current gender ratio at 45% female and 55% male

25% of senior executives are female, up from 20% in FY18



100% of employees assessed as demonstrating Goodman's values

Internal training and awards programme coupled with consistent internal communication to educate our people and reinforce the Goodman values

Performance management platform (Aspire) in place to assess how employees are displaying our values.



Corporate responsibility and sustainability

(continued)

We are what we value

Goodman values are central to how we foster the right culture. They are a guide to how we think and act. Our values help us provide the same level of quality across all aspects of our business and they equip our teams to perform in our stakeholders' best interests.

- + **customer+focus** Be closer to our customers' world and their changing needs
- + **innovative+dynamic** Be more creative in our thinking and dynamic in our actions
- + **open+fair** Be adaptable and considerate in our dealings inside and outside our business
- + **performance+drive** Do what we say we'll do and make things happen
- + **team+respect** Recognise the worth in each other and collaborate for better results

Over the last four years, Goodman has run an internal programme designed to instil the importance of our values in our global team. We want Goodman people in all markets to not only live our values, but to understand their role in achieving long-term success.

We've scrutinised our work culture and professional behaviour and continue to strive for strong ethics and corporate governance. We encourage a disciplined approach and expect management to lead by example by being transparent and modest in all their dealings.



CORPORATE PERFORMANCE

Raising standards

While we remain clear about our purpose – to make space for greatness – our approach to achieving this goal in a changing world is adaptable.

We finance ourselves with sustainable capital and maintain low debt levels to allow us to stay active during different market cycles. We value the trust of our stakeholders and the chance to make a difference in the communities we operate in.

To remain accountable and focus on continuous improvement, for the past eight years Goodman has participated in GRESB, the leading ESG survey for the real estate sector. Our ESG performance is analysed and scored, providing detailed insights for investors.

Material issues

- + Sustainable operations and results
- + ESG Governance
- + Responsible investment
- + Environmental stewardship
- + Sustainable capital structure
- + Stakeholder and community engagement
- + Balanced timely disclosures.

Target rating	Progress
Retain investment grade credit rating	<p>Continued to meet financial targets to underpin capital sources and retain credit rating</p> <p>Credit rating maintained at BBB+ (S&P) and Baa1 (Moody's)</p> <p>● ● ● ● ●</p>
Task Force on Climate-Related Financial Disclosures (TCFD) compliance by 2022	<p>Committed to adopting the TCFD framework</p> <p>The Risk and Compliance Committee to oversee TCFD compliance</p> <p>● ● ○ ○ ○</p>
4 Green Star GRESB rating average	<p>Strong GRESB survey results, including:</p> <ul style="list-style-type: none"> + Goodman Group awarded 'Sector Leader' in the Developer, Industrial peer group achieving 5 star Green Star status and an A for public disclosure + Goodman Japan Core Partnerships awarded 'Sector Leader' for the second year in a row – improving its previous score by 15% + Three of the eight participating entities achieved GRESB's top rating of 5 Green Stars <p>● ● ● ● ○</p>
\$50m in social investment by The Goodman Foundation by 2030	<p>AU\$5.7m contributed to community and philanthropic causes</p> <p>13,140 hours of employee time logged in volunteering and participation in charitable fundraising events.</p> <p>● ● ● ● ○</p>

Addressing climate risk

Goodman supports the Paris Agreement goal of reducing global carbon emissions and limiting the average temperature rise to below 2 degrees Celsius. At the same time, Goodman acknowledges it is exposed to a range of climates and extreme weather events across its operating regions. We have adopted the framework recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) and our board-appointed Risk and Compliance Committee will oversee the necessary analysis and disclosure.

This year, in response to the projected impacts of climate change, we developed a climate risk management programme. The programme will involve extensive work in key regions to understand our physical risks, including an assessment of climate exposure across Goodman's Australian portfolio.

See the Foundation section commencing on page 16 for more information.

The Goodman Foundation

Doing good in the world

Goodman believes all people everywhere should be in equal reach of greatness. That's why we established the Goodman Foundation. So we can use our people, properties and our resources to bring better quality of life to the communities in which we operate.

MAKING A TANGIBLE DIFFERENCE

The Goodman Foundation offers support to charities in the following ways:

- + **Cash grants**
Provided to fund identified projects or needs over one to three years
- + **Do good programme**
Goodman team volunteering or fundraising for charities
- + **Give back programme**
Workplace giving schemes that match staff contributions dollar for dollar
- + **In-kind support**
Our expertise, warehouse space or the provision of other critical items.

We partner with charities, who, like us, are striving to do good in the world in three key areas.

01 CHILDREN AND YOUTH

We work with charity organisations that help to protect and support children or young people around the world. Our partners include Bestest Foundation, Children's Cancer Institute of Australia, Clontarf Foundation, Eagle RAPS, Friends & Helpers Foundation, Great Potentials Foundation, Little Olive Child Foundation, Property Industry Foundation, Raise Foundation, SOS Children's Villages, Stepping Stone House, The Helmsman Project, The Shepherd Centre and Yalari.

Focus partner **Duffy Books in Homes**

Often, it's children who can't read who become adults who can't write. Duffy Books in Homes helps to break the cycle of 'booklessness' by giving new books to New Zealand school children three times a year – books that are taken home, cherished and shared with siblings.

Since 1995, Duffy Books in Homes has given books to more than 100,000 children a year and inspired programmes in Australia and the United States. This year is their 25th anniversary and in September they gifted their 13 millionth book.

Through Duffy Books in Homes, Goodman sponsors three schools identified as being in need. We provide five books a year to almost 1,500 students, giving them the experience of reading for pleasure, on their own terms, in their own time.

02 COMMUNITY AND COMMUNITY HEALTH

We work with charity organisations that support people living with a condition, illness or disability, or whose efforts create a more inclusive and equitable community. Our partners include ACRF (Australian Cancer Research Foundation), Black Dog Institute, Cerebral Palsy Alliance, Greenway, Humpty Dumpty Foundation, Invictus Games Foundation, Multiple Sclerosis Australia, Paralympics Australia, Rural Aid, Special Olympics Australia, The Bread & Butter Project, The Fred Hollows Foundation and Windgap Foundation.

Focus partner The Bread & Butter Project

The Bread & Butter Project is Australia's first social enterprise bakery, investing 100% of profits into providing training and employment pathways for refugees who aspire to become bakers. They are given full-time paid traineeships to help them succeed in their new country.

Based in Sydney, the participants work alongside professional bakers and graduate with formal accreditation. They receive English tutoring and career counselling to help them find a job at the end of the traineeship.

As a founding partner, Goodman's grants have helped to provide the fleet of vehicles that deliver fresh artisanal bread to outlets all over Sydney.

03 FOOD RESCUE AND ENVIRONMENT

We support charity organisations that reduce waste by redistributing food or useful items that would otherwise go to landfill. Our partners include FareShare, Feeding Hong Kong, Good360 Australia, KiwiHarvest, OzHarvest, Second Harvest Food Bank of Orange County, Thread Together and UKHarvest.

Focus partner Thread Together

Thread Together drives social and environmental change by redistributing new clothing and shoes to those most in need, while reducing the amount of clothing going to landfill. Wearing brand-new, well-known brands helps to bring dignity, motivation and self-confidence to vulnerable Australians.

Since 2012, Thread Together has redistributed high-quality garments to more than 300,000 people in need, including people who are homeless, in crisis, refugees, long-term unemployed, youth-at-risk and victims of domestic violence.

Having supported Thread Together since launch, the Goodman Foundation has provided both in-kind support and cash grants which have included warehouse space and a van to collect and distribute clothes.

The Goodman Foundation

(continued)

RAISE FOUNDATION

It takes a village

Raise Foundation, the youth mentoring foundation that's helping young Australians feel heard, valued and supported.

Having experienced challenges as a teenager, Vicki Condon knew the value of having an adult she could turn to. But it wasn't until later in life, with the suicide of a family friend's son, that she decided to set up youth mentoring charity, Raise Foundation.

"We run best practice mentoring in schools for young people at risk of disengaging," says Vicki, CEO, Raise Foundation. "Our key difference is helping young people learn to have face-to-face relationships with adults they can trust."

At the same time each week, for six months, mentors meet mentees at school to tackle the big issues they face. The programme mixes group activities with one-on-one sessions. The individual sessions are led by mentees so they can discuss whatever is on their mind. Afterwards, Raise comprehensively evaluates the impact of the programmes.

"We see statistically significant improvement," says Vicki. "Most mentees are more comfortable asking a trusted adult for help, feel more employable and hopeful about their future, and are looking to complete Year 12. It builds resilience with mental health issues, as well as confidence and communication skills."

Mentors receive 12 hours of industry-leading training, and since 2008, around 4,000 volunteers have mentored around 5,400 young people. "We're up-skilling adults, too, to be better listeners and contribute to thriving communities more broadly."

Since 2013, the Goodman Foundation has partnered with Raise in three ways: cash grants, Goodman people as mentors and CEO-to-CEO mentoring between Vicki and Jo Cameron, Goodman Foundation CEO.

This year, Raise developed an ambitious strategy and Goodman has invested more to help. "We believe everyone can benefit from a mentor, so we want to offer our programme at every public secondary school in Australia, raising it from 1,000 mentees to 15,000," says Vicki.

Raise believes it takes a village to raise a child and the Goodman Foundation is proud to take part. "Goodman is always prepared to listen, ask what we're trying to achieve, and test innovative ideas with us," says Vicki. "They don't just give us funding or volunteers; they're part of our community. Goodman is an important part of our village."

The problem

- + Suicide is the leading cause of death in young Australians
- + One in ten young Australians are disengaged from education and training
- + One in four are struggling with their mental health.

The solution

- + Mentoring helps young people, particularly at-risk youth, to succeed in school, work and life
- + Raise provides individual support from a trained mentor to help young people navigate their issues.

SEPTEMBER GLOBAL PARTNERSHIP

Count us in

Cerebral Palsy Alliance is transforming lives through world-leading evidence-based therapy, early childhood intervention and ground-breaking research.

Over the past ten years, positive research outcomes have reduced the incidence of cerebral palsy from around 1 in 400 to 1 in 700 children, and the severity of cerebral palsy in children has become milder.

With the support of our team, partners and customers, Goodman's ambition, as the global partner of September, is to help fund research into the cause, prevention, treatment and, ultimately, a cure for cerebral palsy. This includes research that will result in the world's first human clinical trial of stem cells in babies at risk of cerebral palsy. A therapy that offers the best chance of targeted neuroprotection for these children.

Global network

Advances in technology, changes in consumer behaviour and the continued urbanisation of gateway cities are driving demand for well-located logistics space around the world.

What makes a location good to Goodman?

Proximity to people

Locations that are close to large consumer populations mean that our customers can meet rising delivery and service expectations.

Accessibility

Locations close to major transport infrastructure, like motorways, ports and airports, enable efficient deliveries and reduce supply chain costs for our customers. Accessible locations make commuting to work easier for our customers' workforce too.

Urbanised areas

Locations in urbanised areas, or areas that are experiencing urbanisation, are scarce. Because there's competition for land use, these areas are more sought after and more valuable.

Australia

Assets under management	\$15.2 billion
Properties	159
Space under management (sqm)	5.8 million
Development work in progress	\$551 million
Managed Partnerships	4
Customers	1,000+

New Zealand

Assets under management	\$2.5 billion
Properties	8
Space under management (sqm)	0.9 million
Development work in progress	\$122 million
Managed Partnerships	1
Customers	180+

Asia

Assets under management	\$16.1 billion
Properties	62
Space under management (sqm)	5.2 million
Development work in progress	\$1,611 million
Managed Partnerships	5
Customers	300+

Europe

Assets under management	\$8.5 billion
Properties	138
Space under management (sqm)	5.1 million
Development work in progress	\$1,031 million
Managed Partnerships	3
Customers	170+

The Americas

Assets under management	\$3.9 billion
Properties	16
Space under management (sqm)	1.3 million
Development work in progress	\$809 million
Managed Partnerships	2
Customers	40+

Corporate Governance

Group ('Goodman' or 'Group') Goodman is a triple stapled entity comprised of the Australian company, Goodman Limited ('GL'), the Australian trust, Goodman Industrial Trust ('GIT') and the Hong Kong company, Goodman Logistics (HK) Limited ('GLHK'). The Boards of GL and Goodman Funds Management Limited as the responsible entity of GIT comprise the same directors while GLHK has a distinct Board with some overlap (together they are referred to as the Boards).

The Goodman Boards and Management team are committed to the highest standards of corporate governance and recognise that an effective corporate governance culture is critical to the long-term performance of the business. Goodman's corporate governance framework underpins our commitment to maximise long term sustainable value for Securityholders through:

- + effective controls, risk management, transparency and corporate responsibility;
- + strategic planning and alignment of the interests of employees with that of Securityholders and other stakeholders;
- + meeting stakeholder expectations of a global ASX listed entity through acting lawfully and responsibly while prudently managing both financial and non-financial risk; and
- + ensuring we are an organisation that acts with integrity by promoting a culture which values the principles of honesty, fairness, transparency and ethical behaviour.

The diagram below shows an overview of Goodman's Corporate governance framework.



Goodman has actively considered recent corporate governance developments including the release of the 4th Edition Corporate Governance Principles and Recommendations and Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Goodman conducted a comprehensive review of the themes and recommendations arising from Commissioner Kenneth Hayne's Final Report in terms of their relevance to Goodman, our Boards, executives and employees. Goodman has been thorough in our assessment of our own governance practices and arrangements, and will continue to scrutinise in order to appropriately balance our strategy and manage financial and non-financial risk.

Goodman's Corporate Governance Statement can be viewed on our website at goodman.com/who-we-are/corporate-governance/statement

Goodman's core corporate governance framework documents including Charters and Policies are available at goodman.com/who-we-are/corporate-governance. Additional information for securityholders is available at the Goodman Investor Centre at goodman.com/investor-centre/goodman-group-australia

Corporate responsibility and sustainability statement

This year Goodman comprehensively reviewed our sustainability practice and produced our 2030 Sustainability Strategy which builds on the momentum of our work to date, aligns with our purpose of making space for greatness and takes a more proactive approach to the challenges and opportunities of the future.

An overview of the strategy and reporting highlights are included on page 24 of this annual report.

A more comprehensive sustainability report will be released later in the year and will be available on our website at goodman.com/sustainability/reports

This page has been left blank intentionally

Goodman limited and its controlled entities

Consolidated financial report for the year ended 30 June 2019

CONTENTS

Directors' report	24	Notes to the consolidated financial statements	
Lead auditor's independence declaration	87	Basis of preparation	97
Consolidated statements of financial position	88	1 Basis of preparation	
Consolidated income statements	90	Results for the year	
Consolidated statements of comprehensive income	91	2 Profit before income tax	101
Consolidated statements of changes in equity	92	3 Profit per security	105
Consolidated cash flow statements	96	4 Segment reporting	106
		5 Taxation	110
		Operating assets and liabilities	
		6 Property assets	113
		7 Receivables	126
		8 Contract balances	127
		9 Payables	128
		10 Provisions	129
		11 Goodwill and intangible assets	129
		Capital management	
		12 Net finance (expense)/income	135
		13 Interest bearing liabilities	136
		14 Other financial assets and liabilities	140
		15 Financial risk management	141
		16 Dividends and distributions	151
		17 Issued capital	152
		Other items	
		18 Notes to the cash flow statements	154
		19 Equity attributable to Goodman Limited and non-controlling interests	158
		20 Controlled entities	160
		21 Related parties	161
		22 Commitments	163
		23 Auditors' remuneration	165
		24 Parent entity disclosures	166
		25 Events subsequent to balance date	167
		Directors' declaration	167
		Independent auditor's report	168
		Appendix A	
		Goodman Logistics (HK) Limited financial report for the year ended 30 June 2019	175

Directors' report

The directors (Directors) of Goodman Limited (ABN 69 000 123 071) and Goodman Funds Management Limited (GFML), the responsible entity for Goodman Industrial Trust (ARSN 091 213 839), present their Directors' report together with the consolidated financial statements of Goodman Limited and the entities it controlled (Goodman or Group) and the consolidated financial statements of Goodman Industrial Trust and the entities it controlled (GIT) at the end of, or during, the financial year ended 30 June 2019 (FY19) and the audit report thereon.

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

As permitted by the relief provided in Australian Securities & Investments Commission (ASIC) Instrument 18-0353, the accompanying consolidated financial statements present both the financial statements and accompanying notes of Goodman and GIT. GLHK, which is incorporated and domiciled in Hong Kong, prepares its financial statements under Hong Kong Financial Reporting Standards and the applicable requirements of the Hong Kong Companies

Ordinance and accordingly the financial statements of GLHK have not been included as adjacent columns in the consolidated financial statements. The financial statements of GLHK have been included as an appendix to this financial report.

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

OPERATING AND FINANCIAL REVIEW

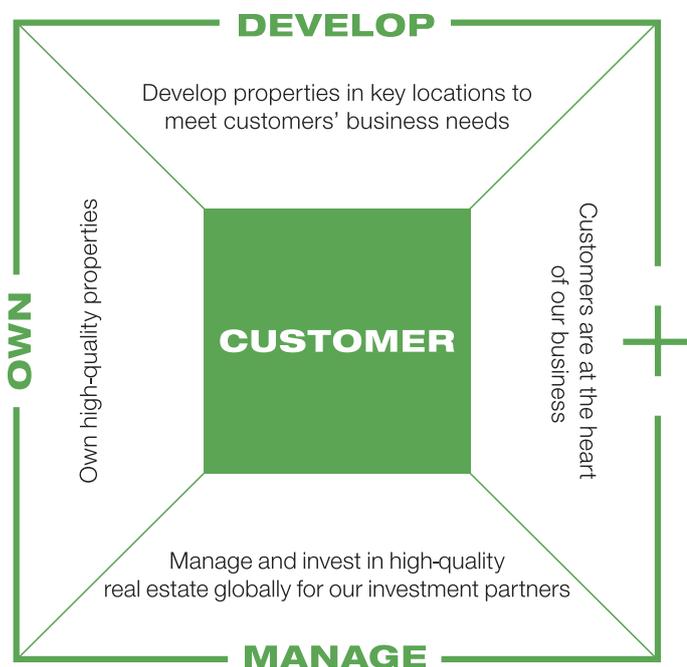
Principal activities

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

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

Goodman strategy

Goodman's purpose is to make space for its stakeholders' ambitions. This purpose is executed through Goodman's integrated business capabilities model – "own+develop+manage", where its customers' need for sustainable solutions and service excellence in high quality locations, is at the centre.



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

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

Directors' report

Operating and financial review (continued)

Financial highlights

	2019	2018	Change
Revenue and other income before fair value adjustments on investment properties (\$M)	2,132.4	1,999.0	6.7%
Fair value adjustments on investment properties including share of adjustments for associates and joint ventures (JVs) (\$M)	893.4	673.8	32.6%
Revenue and other income (\$M)	3,025.8	2,672.8	13.2%
Profit attributable to Securityholders (\$M)	1,627.9	1,098.2	48.2%
Total comprehensive income attributable to Securityholders (\$M)	1,795.4	1,300.3	38.1%
Operating profit (\$M)	942.3	845.9	11.4%
Statutory profit per security – basic (¢)	89.9	61.1	47.1%
Operating profit per security (operating EPS) (¢) ¹	51.6	46.7	10.5%
Dividends/distributions in relation to the financial year (\$M)	544.2	504.2	7.9%
Dividends/distributions per security in relation to the financial year (¢)	30.0	28.0	7.1%
Weighted average number of securities on issue (M)	1,811.7	1,798.8	0.7%
Total equity attributable to Securityholders (\$M)	10,522.5	9,173.7	14.7%
Number of securities on issue (M)	1,813.9	1,800.8	0.7%
Net tangible assets per security (\$)	5.34	4.64	15.1%
Net assets per security (\$)	5.80	5.09	13.9%
External assets under management (\$B)	42.9	35.1	22.2%
Total assets under management (\$B)	46.2	38.3	20.6%
Development work in progress (\$B) ²	4.1	3.6	13.9%
Gearing (%) ³	9.7	5.1	
Interest cover ⁴ (times)	19.6	16.2	
Liquidity (\$B)	2.7	3.4	
Weighted average debt maturity (years)	6.6	6.9	

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during FY19, 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 key measure by which to examine the underlying performance of the business, notwithstanding that operating profit is not an income measure under International Financial Reporting Standards.

2. Development work in progress is the end value of ongoing developments across Goodman and its investments in associates and joint ventures (referred to as Partnerships).

3. 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 \$222.4 million (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 \$123.6 million (2018: \$31.9 million).

4. 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.

Overview

Goodman has delivered another strong result, with operating profit of \$942.3 million for FY19, compared to \$845.9 million for the prior year, an increase of 11.4%. This equated to an operating EPS of 51.6 cents, up 10.5% on FY18. The contribution from overseas operations has again increased and now comprises 68% of the Group's operating profit. The demand by Goodman's customers for industrial property close to their consumers in major urban locations continues to drive the development workbook and has resulted in consistently strong property fundamentals across the global portfolio.

Goodman's statutory profit attributable to Securityholders for FY19 was \$1,627.9 million, an increase of \$529.7 million compared with FY18. This included the Group's share of property valuation gains, net of deferred tax, of \$871.7 million and the accounting expense of the Group's Long Term Incentive Plan of \$196.6 million. There was also a \$17.0 million fair value gain on derivatives and debt translation which is included in the statutory profit but excluded from the calculation of operating profit.

Goodman has achieved this result while maintaining the prudent metrics in accordance with its financial risk management policy. The Group's debt bears interest at rates consistent with the prevailing low interest rate environment, and over \$2.0 billion of bonds have expiries in more than five years. At 30 June 2019, gearing remained low at 9.7% and the funds available to the Group for investment were \$2.7 billion.

Dividends and distributions relating to FY19 increased to 30 cents per security, up 7.1% on the prior year.

Key operational highlights:

Investment

- + \$46.2 billion of total assets under management (AUM), of which the Group owns a whole or a part share
- + 3.3% like for like growth in net property income (NPI) in Partnerships
- + 98% occupancy across the Group and Partnerships

Management

- + \$42.9 billion of external AUM in Partnerships
- + 15.9% total return across Partnerships

Development

- + \$4.1 billion of development work in progress (WIP)
- + \$4.2 billion of development commencements, with 81% undertaken in Partnerships and third parties

Goodman continues to focus on the location of its portfolios. Urbanisation and the consumers' demand for convenience require Goodman's customers to be located in major cities and have fast and efficient supply chains. The asset disposal programme over the past few years has allowed Goodman's portfolios around the world to be concentrated in these key urban centres where demand is currently outstripping supply. This has resulted in average occupancy of 98% and like for like NPI growth during FY19 of over 3%.

The strong customer demand for these assets is also driving strong investor demand. This is particularly accentuated in a relatively low general growth environment where the prospects for Goodman's portfolios appear relatively strong. As a result, the valuations of the Group's stabilised investment properties again showed strong growth, due to further compression of capitalisation rates and the impact of the increased rental income. The weighted average capitalisation rate across the Goodman portfolios decreased from 5.5% at the start of FY19 to 5.1% at 30 June 2019.

Directors' report

Operating and financial review (continued)

The ongoing development activity in all regions, the property valuation growth and the net acquisitions have increased total AUM by 21% to \$46.2 billion at 30 June 2019 from \$38.3 billion at 30 June 2018. Consequently, both the Group's share of investment income from Partnerships and base management and property services fees have increased compared to the prior year. Management income is further supplemented by the recognition of portfolio performance fee revenue, a reflection of the Partnership returns that have been consistently achieved over the past few years.

Asset pricing has meant that the development of sites by the Group has continued to be the best way for Goodman and Partnerships to access high quality assets in the target locations. The size and scale of new projects are growing given the high value nature of urban sites and development earnings and development WIP has increased during FY19. As at 30 June 2019, development WIP was \$4.1 billion across 55 projects, with approximately 80% of development activity in Partnerships.

Analysis of performance

Goodman's key operating regions are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (approximately 75% of assets located in Germany and France), 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 Partnerships that is allocable to property investment activities which excludes the Group's share of property revaluations and derivative mark to market movements. The key drivers for maintaining or growing Goodman's property investment earnings are increasing the level of AUM (subject also to Goodman's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and financing costs within Partnerships.

Management earnings relate to the revenue from managing both the property portfolios and the capital invested in Partnerships (management income). This includes performance related revenues but excludes earnings from managing development activities in Partnerships, which are included in development earnings. The key drivers for maintaining or growing management earnings are activity levels, asset performance, and increasing the level of AUM, which can be impacted by property valuations and asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across Goodman's Partnerships.

Development earnings consist of development income, plus Goodman's share of the operating results of 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. Development income includes development management fees and also performance related revenues associated with managing development activity in Partnerships. The key drivers for Goodman's development earnings are the level of development activity, land and construction prices, property valuations and the continued availability of third party capital to fund development activity.

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for FY19 are set out in the table below:

	Note	2019 \$M	2018 \$M
Analysis of operating profit			
Property investment earnings		372.1	384.8
Management earnings		469.7	316.5
Development earnings		509.2	490.6
		1,351.0	1,191.9
Operating expenses		(267.7)	(249.4)
		1,083.3	942.5
Net finance expense (operating) ¹		(45.9)	(44.4)
Income tax expense (operating) ²		(95.1)	(47.6)
		942.3	850.5
Less: Attributable to other non-controlling interests		–	(4.6)
Operating profit		942.3	845.9
Adjustments for:			
Property valuation related movements			
– Net gain from fair value adjustments on investment properties	6(e)	146.8	71.1
– Share of fair value adjustments attributable to investment properties in associates and JVs after tax	6(f)	746.6	602.7
– Deferred tax on fair value adjustments on investment properties		(21.7)	(34.8)
		871.7	639.0
Fair value adjustments and unrealised foreign currency exchange movements related to liability management			
– Fair value adjustments on derivative financial instruments	12	6.7	(131.4)
– Share of fair value adjustments on derivative financial instruments in associates and JVs	6(f)	20.4	(34.3)
– Unrealised foreign exchange losses	12	(10.1)	(8.7)
		17.0	(174.4)
Other non-cash adjustments or non-recurring items			
– Straight lining of rental income		0.4	0.8
– Share based payments expense		(196.6)	(125.6)
– Net capital losses not distributed and tax deferred adjustments		(6.9)	(4.7)
– Debt restructure expense	12	–	(82.8)
		(203.1)	(212.3)
Profit attributable to Securityholders		1,627.9	1,098.2

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.

Directors' report

Operating and financial review (continued)

Analysis of performance (continued)

Property investment

Property investment earnings in FY19 of \$372.1 million were slightly down on the prior year and comprised 27% of the total earnings (2018: 32%).

	2019 \$M	2018 \$M
Analysis of property investment earnings:		
Direct	74.0	113.2
Partnerships	298.1	271.6
	372.1	384.8
Key metrics:		
Weighted average capitalisation rate (WACR) (%)	5.1	5.5
Weighted average lease expiry (WALE) (yrs)	4.7	4.8
Occupancy (%)	98	98

The Group's property portfolios are concentrated in large, urban centres around the world where demand from customers (including e-commerce) who continue to invest in improving the efficiency of their supply chains, data centre users and urban renewal, has put pressure on land use and availability. As a consequence, barriers to entry in these locations are high, land is scarce and, in some cases, supply is negative meaning that the properties should see higher valuation growth and higher returns over the long term.

The directly held properties are primarily in Australia and generally have potential for higher intensity or alternate uses. The decrease in investment earnings from the directly held properties was due to the \$346.2 million of disposals in FY18 and repositioning of certain assets as they are prepared for redevelopment.

Goodman's share of investment earnings from its cornerstone holdings in Partnerships increased by 9.8% to \$298.1 million compared to the prior year.

This was due to rental income growth from existing properties and the completion of developments both during FY18 and FY19. Although there were disposals in FY19, notably in New Zealand and Continental Europe, the value of disposals was much lower than the annual average over the previous five years, as the composition of the Group's portfolios is now largely orientated to the desired quality of assets.

Net property income from the Partnership portfolios in FY19 was up 3.3% on a like for like basis compared to FY18 and occupancy at 30 June 2019 was 98% (2018: 98%). During FY19, the Group's share of property valuations from the stabilised portfolios was \$575.1 million, excluding valuation uplifts on new developments that reached completion. Valuation gains occurred across all the Group's operating segments and were due to both capitalisation rate compression and the growth in rental income. At 30 June 2019, the WACR for the Group's portfolios was 5.1%, compared to 5.5% at the start of FY19.

The returns from Partnerships are also impacted by the level of debt in each Partnership. Consistent with the Group's financial risk management, gearing in Partnerships was also maintained at the lower end of target ranges, which continues to be appropriate given the levels of ongoing development activity. While a higher level of gearing would have improved the short-term returns, Goodman's strategy has been to position its Partnerships for sustainable long-term growth. The operating return on Goodman's investment in the stabilised portfolios held by the Partnerships was 4.9% compared to 5.2% in the prior year, the decrease due to the strong valuation growth that increased the investment base.

Management

Management earnings in FY19 of \$469.7 million increased by 48.4% compared to the prior year and comprised 35% of total operating earnings (2018: 27%). The two main drivers of management earnings were the increase in external AUM and the increasing contribution from portfolio performance fee income.

During FY19, external AUM increased by 22% to \$42.9 billion from \$35.1 billion as set out below:

External assets under management

	2019 \$B
At the beginning of the year	35.1
Acquisitions	2.4
Disposals	(1.5)
Capital expenditure (developments)	2.0
Valuations	3.7
Foreign currency translation	1.2
At the end of the year	42.9

Base management fee income, earned from the overall management of the Group's Partnerships, increased in line with the increase in AUM. This was supplemented by property services income, which increased in line with the gross property income in Partnerships, and other income such as leasing fees and transactional fees.

In addition, the consistently high Partnership returns over the past few years resulted in performance fee revenue growing to \$204.3 million in FY19 from \$83.1 million in the prior year, primarily in Australia and Asia. For FY19, the Partnerships reported average total returns of 15.9% (2018: 15.0%), and performance fee revenue represented around 43% of the total management earnings, up from 26% in the prior year.

Development

In FY19, development earnings were \$509.2 million, an increase of 3.8% on the prior year and comprised 38% of total operating earnings (2018: 41%).

Development activity continued to be strong with commencements during the year of \$4.2 billion, completions of \$3.9 billion and WIP of \$4.1 billion across 55 projects at 30 June 2019. The increase in the Group's earnings was primarily volume driven.

	2019	2018
Key metrics:		
Work in progress (A\$B)	4.1	3.6
Number of developments	55	80

The majority of inventory disposals and fixed price contract income arose in Europe, as Partnerships in Continental Europe generally acquire completed developments from Goodman. In the Group's other operating segments, development earnings are a mix of development management income, including performance related income, and transactional activity, including the Group's share of development profits reported by Partnerships themselves. During FY19, approximately 80% of development activity (by end value) was undertaken by Partnerships, which was consistent with the prior year.

Consistent with the Group's strategy, development activity has been focused on key urban centres, where customer demand is high and the supply of industrial logistics is restricted. In locations, such as Japan and North America, this has allowed the Group to commence certain projects on a speculative basis. Nevertheless, occupancy at completion remained strong with 81% leased to customers based on the projects that completed during FY19. Furthermore, at reporting date 88% of developments (by value) were either already owned by or contracted for sale to third parties or Partnerships.

Directors' report

Operating and financial review (continued)

Analysis of performance (continued)

The scale of the projects has been growing over time as a consequence of the high value nature of the sites and the complexity associated with development of infill locations. With further high value developments in the pipeline, particularly in Asia and North America, WIP is expected to approach \$5 billion in FY20.

Operating expenses

For FY19, operating expenses increased to \$267.7 million from \$249.4 million. The majority of the operating expenses related to remuneration costs which increased to \$191.9 million from \$180.7 million as a result of modest inflation pressure, lower cost capitalisation (with fewer development assets directly held by the Group) and the impact of a weaker Australian dollar on the translation of the overseas costs. Headcount was maintained or reduced in most divisions.

Administrative expenses also increased in FY19 due to the impact of foreign currency translation and increased compliance costs, with local regulators either increasing or introducing levies to fund financial services monitoring and surveillance programmes.

Net finance expense (operating)

Net finance expense (operating), which excluded derivative mark to market, unrealised foreign exchange movements and debt restructure expenses, increased to \$45.9 million from \$44.4 million. This was due to an increase in the net interest cost associated with the Group's cross currency interest rate derivatives and the lower Australian dollar, which offset the full year impact of the lower rates following the refinance of the Group's bonds in FY18.

Income tax expense (operating)

Income tax expense (operating) for FY19 at \$95.1 million (2018: \$47.6 million) increased compared to the prior year. A significant proportion of Goodman's earnings related to GIT and its controlled entities, which are "flow through" entities under Australian tax legislation, meaning Securityholders (and not GIT) are taxed on their respective share of income. However, the majority of the increase in earnings in FY19 related to management activities, which are taxed at prevailing local rates. Additionally, certain jurisdictions have now fully utilised any tax losses, with most of the Group's remaining tax losses being in Australia and the United Kingdom.

Capital management

Goodman has maintained its prudent approach to capital management. At 30 June 2019, the Group's available debt facilities and fixed rate long-term bonds, which totalled \$4.0 billion (of which \$2.95 billion had been drawn), had a weighted average maturity of 6.6 years. The Group's cash and undrawn bank facilities were \$2.7 billion, which is available for future investment.

At 30 June 2019, gearing was 9.7% (2018: 5.1%), which continued to be at the lower end of the Group's policy range but was increased compared to 30 June 2018 due to equity investments in Partnerships to fund the growth in development activity, notably Goodman North America Partnership, and the currency translation impact associated with the USD, JPY and EUR denominated debt. Interest cover was 19.6 times (2018: 16.2 times) and the Group continued to have significant headroom relative to its financing covenants. Goodman's credit ratings from Standard & Poor's and Moody's were unchanged at BBB+ and Baa1, respectively.

As Goodman expects to undertake an increased volume of development activity over the next few years, more capital will be allocated to development and also to Partnership investments. In order to maintain low financial leverage, the Group is transitioning its distribution pay-out ratio from 60% towards 50% of operating profit. The distribution for FY19 was 30 cents per security, a pay-out ratio of 58%, with 15 cents paid on 26 February 2019 and 15 cents to be paid on 9 September 2019. The distribution reinvestment plan was not in operation during the year.

During FY19, the Group and its Partnerships refinanced over \$2.8 billion of bank debt and secured third party equity commitments of \$2.4 billion to provide liquidity for ongoing acquisition and development opportunities.

Dividends and distributions

Goodman Limited did not declare any dividends during the financial year (2018: \$nil).

During FY19, Goodman Industrial Trust declared and accrued distributions of 25.0 cents per security (2018: 23.0 cents per security), amounting to \$453.5 million (2018: \$414.2 million).

During FY19, GLHK declared and accrued a dividend of 5.0 cents per security (2018: 5.0 cents per security), amounting to \$90.7 million (2018: \$90.0 million).

Summary of items that reconcile operating profit to statutory profit

Property valuation related movements

The net gain from fair value adjustments on investment properties of \$146.8 million (2018: \$71.1 million) related to those assets directly held by Goodman, principally in Sydney, Australia. The uplift in value was due to both rental growth and a contraction in capitalisation rates.

Goodman's share of net gains from fair value adjustments after tax attributable to investment properties in Partnerships increased to \$746.6 million from \$602.7 million in the prior year. Increases occurred in most regions due to the quality of the property portfolios, improved leasing outcomes, continued investor demand for industrial assets and developments conducted in the Partnerships. The valuations in FY19 included \$171 million (2018: \$215 million) relating to completion of development assets, predominantly in North America, and a further \$50 million relating to developments in progress at 30 June 2019.

At 30 June 2019, the WACR for Goodman's stabilised property portfolios (both directly held and Partnerships) decreased from 5.5% to 5.1%.

There were no impairment losses associated with the Group's inventories during FY19.

Directors' report

Operating and financial review (continued)

Analysis of performance (continued)

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

The amount reported in profit or loss associated with the Group's derivative financial instruments and translation of USD debt was a net gain of \$17.0 million. This included fair value gains of \$27.1 million associated with the derivative financial instruments and losses of \$10.1 million from translation of the USD denominated bonds that do not qualify for net investment hedging. The \$27.1 million fair value gains on the derivative financial instruments comprised unrealised profits on those interest rate derivatives where the Group was receiving fixed Australian dollar interest and losses on the currency derivatives due to the weakening Australian dollar versus most of the currencies in the Group's overseas operations.

Goodman's policy is to hedge between 65% and 90% of the net assets of these foreign operations. Where Goodman invests in foreign assets, it will borrow in that currency or enter into derivative financial instruments to create a similar liability. In so doing, Goodman minimises its net asset and income exposures to those currencies. The unrealised fair value movement of the derivative financial instruments (up or down) is recorded in the income statement; however, the foreign currency translation of the net investment that is being hedged is recorded directly in reserves. In FY19, the movement in reserves attributable to foreign currency movements was a gain of \$170 million, which reflected an increase in the carrying value of the overseas net assets when converted to Australian dollars.

Other non-cash adjustments or non-recurring items

The principal other non-cash adjustments or non-recurring items for FY19 related to the share based payments expense of \$196.6 million for Goodman's LTIP, up from \$125.6 million in FY18, primarily a result of the increasing Goodman security price.

Statement of financial position

	2019 \$M	2018 \$M
Stabilised investment properties	1,756.4	1,624.3
Cornerstone investments in Partnerships	6,920.4	6,086.5
Development holdings	2,991.8	1,993.6
Intangible assets	840.0	816.7
Cash	1,607.1	2,406.8
Other assets	797.1	531.5
Total assets	14,912.8	13,459.4
Interest bearing liabilities	2,975.0	3,081.5
Other liabilities	1,415.3	1,204.2
Total liabilities	4,390.3	4,285.7
Net assets	10,522.5	9,173.7

The carrying value of wholly owned, stabilised investment properties increased by \$132.1 million to \$1,756.4 million at 30 June 2019. This was primarily due to valuation uplifts of \$146.8 million during the year.

The value of Goodman's cornerstone investments in Partnerships, which excludes the Group's share of development assets in the Partnerships, increased by \$833.9 million to \$6,920.4 million, due to the valuation uplifts across the portfolios, the Group's funding of its share of development completions and the impact of foreign currency translation.

Goodman's development holdings, which include the Group's share of development assets in the Partnerships as well as the directly held properties, increased during the year by \$998.2 million to \$2,991.8 million. The overall level of development activity trended higher during FY19, with growth in Asia and the Americas, leading to the end value of development WIP of \$4.1 billion at 30 June 2019 (2018: \$3.6 billion). This is likely to increase further in FY20, with other high value projects in the pipeline.

The majority of development activity is undertaken by the Partnerships themselves and therefore the Group's development holdings at 30 June 2019 were at a similar level to the prior year. This was also impacted by further progress in rotating the longer dated land banks in the United Kingdom, that no longer fit with the Group's strategic focus on locations close to urban centres.

At 30 June 2019, the principal goodwill and intangible asset balances were in Continental Europe and the United Kingdom. The movement during FY19 related to changes in foreign currency exchange rates and there have been no impairments or reversals of impairments.

The Group's cash and interest bearing liabilities should be considered together. On a net basis, the liability was \$1,367.9 million at 30 June 2019 compared to \$674.7 million at 30 June 2018. The increased liability related to the funding of development activity in the Group's Partnerships and the impact of foreign currency translation on the USD, JPY and EUR denominated borrowings.

Other assets included certain receivables and derivative financial instruments. The movements during FY19 related to increases in receivables associated with performance related income that is expected to be settled in FY20.

Other liabilities included trade and other payables, the provision for the dividends/distributions to Securityholders, fair values of derivative financial instruments and tax liabilities (including deferred tax). The movement during the year was a result of changes in the fair values of derivatives, increased development payable and increased tax liabilities.

Directors' report

Operating and financial review (continued)

Analysis of performance (continued)

Cash flow

	2019 \$M	2018 \$M
Operating cash flows	827.5	1,161.2
Investing cash flows	(818.2)	(26.5)
Financing cash flows (excluding dividends and distributions)	(320.5)	(310.8)
Dividends and distributions paid	(528.7)	(488.4)
Net (decrease)/increase in cash and cash equivalents held	(839.9)	335.5
Cash and cash equivalents at the beginning of the year	2,406.8	2,095.1
Effect of exchange rate fluctuations on cash held	40.2	(23.8)
Cash and cash equivalents at the end of the year	1,607.1	2,406.8

Operating cash flows of \$827.5 million has decreased relative to the prior year and is lower compared to the Group's operating profit of \$942.3 million.

FY18 included settlements associated with large development projects in Continental Europe that were funded by Goodman through to completion and had been in progress at 30 June 2017. The timing of development completions relative to the reporting date generally has a significant impact on overall operating cash flows. Furthermore, the distributions received from Partnerships in FY19 were lower than the prior year due to the asset disposals and also capital management initiatives by Partnerships. This was partially offset by the increase in management income received.

When compared against the operating profit, the lower operating cash flow is due to the capital management initiatives by Partnerships, referred to above, and also the growth in contract assets that are only due to be settled in FY20.

Investing cash flows in FY19 primarily related to the net investments in Goodman's Partnerships of \$797.2 million (2018: \$571.1 million, excluding proceeds from the disposal of Arlington Business Parks Partnership). This investment occurred principally in Japan and North America to fund the development activity in those Partnerships. This is likely to be a continued theme in respect of the Partnerships with the level of development expected to increase in FY20.

In FY18, net investing cash outflows were only \$26.5 million, as Goodman also received proceeds of \$668.1 million from disposals of investment properties in Australia and the Group's investment in Arlington Business Parks Partnership. Other investing cash outflows related to capital expenditure on the Group's directly held investment properties of \$94.5 million (2018: \$118.1 million).

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities. The principal financing cash outflows were the distributions paid to Securityholders and the repayment of the GBP denominated bonds at their maturity.

Outlook

For FY20, business conditions, as they relate to Goodman's operations, are expected to remain favourable and Goodman is strategically well placed given its financial and operational strength. The Board sets targets annually and reviews them regularly. As a result, the Group expects to achieve operating profit for FY20 of \$1,040.0 million, which equates to operating EPS of 56.3 cents, up 9% on FY19. The increase in operating profit is anticipated from each of the Group's earning streams, subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events. Total AUM are expected to increase to over \$50 billion, resulting in growth in property investment and management earnings, while the commencement of high value developments in Asia and Americas will see WIP approaching \$5 billion.

In order for the Group to fund the anticipated increase in the capital allocated to development activities, including funding its share of investment in Partnerships, and to keep the Group's financial leverage at the lower end of the policy range, the Directors intend to hold the distribution at 30 cents per security for FY20 subject to achieving the anticipated profits. This will be maintained until the Group's distribution pay-out ratio has been transitioned closer to 50%. Thereafter, the distribution is expected to increase in line with the Group's operating profit.

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

Directors' report (continued)

Risks

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

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

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

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

	Risk area	Mitigation
Capital management	Ensuring long-term availability of funding from both investors and financial institutions to support the sustainability of the business.	<ul style="list-style-type: none"> + Board approved financial risk management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Board + Diversification of debt funding sources and maturities + Diversification of investment partners + Change in distribution pay-out ratio consistent with contribution to increasing development workbook
Economic and geopolitical environment	Headline economic indicators suggest global growth has peaked, with indications of a gradual slowdown in coming years. Geopolitical and geo-economic tensions are rising among the world's major powers, evidenced by political protests in Hong Kong and trade tension between the US and China. The world is evolving into a period of divergence following a period of globalisation that profoundly altered the global political economy.	<ul style="list-style-type: none"> + Global diversification of Goodman's property portfolios + Focus on core property portfolios in key urban market locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks
Governance, regulation and compliance	Non-compliance and changes to the regulatory environments (including tax) impact Goodman's business, including its reputation.	<ul style="list-style-type: none"> + Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Group Investment Committee
People	Retaining the executive management team, who support the sustainability of the business. Maintaining an organisational culture commensurate with Goodman's values.	<ul style="list-style-type: none"> + Succession planning for senior executives + Competitive remuneration structures + Performance management and review + Goodman values programme
Technology change and disruption	Through advancement in technology (as seen through automation/robotics, investment in driverless vehicles and drone technology), there is a longer-term risk that warehouses become obsolete and not fit for purpose through their specialisation and/or location.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer + Geographic diversification

	Risk area	Mitigation
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, size and duration, contamination, earthquakes, adverse weather conditions and other environmental factors, along with general contractor capability.	<ul style="list-style-type: none"> + Review of development projects by the Group Investment Committee + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short-term obsolescence + Internal audit reviews with reporting to the Risk and Compliance Committee + Insurance programme, both Goodman and general contractor, including project specific insurance + Ongoing monitoring and reporting of WIP and levels of speculative development, with Board oversight including limits with respect to speculative development
Asset management and leasing	Leasing risk exposures can reduce returns from Goodman's portfolios. Adverse weather events and other environmental factors can adversely affect returns.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Group Investment Committee + Sustainability strategy including the assessment of individual assets to improve resilience and implementation of sustainability initiatives + Adoption of the Task Force on Climate-related Financial Disclosures recommendations as a framework for the assessment, management and disclosure of climate risks + Capital expenditure programmes keeping pace with property lifecycle
Concentration to counterparties and markets	Over-exposure to customers and market may limit growth and sustainability opportunities.	<ul style="list-style-type: none"> + Diversification of customer base and lease expiries + Diversification of capital partners and Partnership expiries
Information and data security	Maintaining security of IT environment and data, ensuring continuity of IT applications to support sustainability and growth.	<ul style="list-style-type: none"> + Reporting of risks and management activity + Proactive monitoring, review and testing of infrastructure + Disaster recovery and business continuity planning and testing

Directors' report (continued)

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Board of Directors

Ian Ferrier AM – Independent Chairman

Member of the Audit Committee and Remuneration and Nomination Committee

Appointed to the board of Goodman Limited on 1 September 2003; Tenure 15 years, 10 months

Appointed to the board of GFML on 23 February 2005; Tenure 14 years, 4 months

Ian is the Independent Chairman of Goodman Limited and Goodman Funds Management Limited (appointed on 28 July 2009 having been Acting Chairman from 28 November 2008) and also Goodman Logistics (HK) Limited (since 22 February 2012). Ian is a Fellow of Chartered Accountants Australia and New Zealand and has in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is also a director of EnergyOne Limited (since January 2007) and was formerly the Chairman of Reckon Limited (from August 2004 to July 2018), InvoCare Limited and Australian Vintage Ltd.

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

Gregory Goodman – Group Chief Executive Officer

Appointed to the board of Goodman Limited on 7 August 1998; Tenure 20 years, 11 months

Appointed to the board of GFML on 17 January 1995; Tenure 24 years, 5 months

Gregory is the Managing Director of Goodman Limited and Goodman Funds Management Limited and Group Chief Executive Officer of Goodman. He is also an alternate director of Goodman Logistics (HK) Limited. As Group Chief Executive Officer, he is responsible for Goodman's overall operations and the implementation of its strategic plan.

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

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

Christopher Green – Independent Director

Member of the Audit Committee

Appointed to the board of Goodman Limited and GFML on 28 April 2019; Tenure 2 months

Chris is an Independent Non-Executive Director of Goodman Limited and Goodman Funds Management Limited. Chris is also the Founder and Chief Executive Officer of GreenPoint Partners, a New York headquartered firm investing in real estate innovation, technology and private equity.

Chris spent 16 years at Macquarie Group and was the Global Head of Macquarie Capital's real estate business leading its global expansion through to 2018. He has a Bachelor of Laws (Hons) degree and a Bachelor of Commerce (Computer Science and Accounting) degree from the University of Sydney.

Stephen Johns – Independent Director

Chairman of the Audit Committee and Member of the Risk and Compliance Committee

Appointed to the board of Goodman Limited and GFML on 1 January 2017; Tenure 2 years, 6 months

Stephen is an Independent Non-Executive Director of Goodman Limited and Goodman Funds Management Limited. He is currently also Chairman and Non-Executive Director of Brambles Limited and was previously Chairman and Non-Executive Director of Leighton Holdings Limited and Spark Infrastructure Group. Stephen is also an Executive Director of the Garvan Institute of Medical Research.

Stephen is a former Executive and Non-Executive Director of Westfield Group where he had a long executive career during which he held a number of senior positions including that of Finance Director from 1985 to 2002. He has a Bachelor of Economics degree from the University of Sydney and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Rebecca McGrath – Independent Director

Chairman of the Risk and Compliance Committee and Member of the Remuneration and Nomination Committee

Appointed to the board of Goodman Limited and GFML on 3 April 2012; Tenure 7 years, 3 months

Rebecca is an Independent Non-Executive Director of Goodman Limited and Goodman Funds Management Limited. Rebecca is also currently Chairman of OZ Minerals Limited (Non-Executive Director since November 2010) and a Non-Executive Director of Incitec Pivot Limited (since September 2011). Rebecca is also a Non-Executive Director of Investa Wholesale Funds Management Limited and the Independent Chairman of Scania Australia Pty Limited. Rebecca was formerly a Director of CSR Limited (February 2012 to October 2016).

During her executive career at BP plc, she held numerous senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the UK, and Europe. Her most recent executive experience was as Chief Financial Officer of BP Australasia.

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

Danny Peeters – Executive Director, Corporate

Appointed to the board of Goodman Limited and GFML on 1 January 2013; Tenure 6 years, 6 months

Danny is an Executive Director of Goodman Limited, Goodman Funds Management Limited and Goodman Logistics (HK) Limited. He has oversight of Goodman's European and Brazilian operations and strategy. Danny has been with Goodman since 2006 and has 19 years of experience in the property and logistics sectors. Danny is a director and/or representative of Goodman's investment management entities, subsidiaries and Partnerships in Europe and Brazil.

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

Phillip Pryke – Independent Director

Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Appointed to the board of Goodman Limited and GFML on 13 October 2010; Tenure 8 years, 9 months

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

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

Directors' report

Qualifications, experience and special responsibilities of Directors and Company Secretary (continued)

Anthony Rozic – Deputy Group Chief Executive Officer and Chief Executive Officer, North America

Appointed to the board of Goodman Limited and GFML on 1 January 2013; Tenure 6 years, 6 months

Anthony is an Executive Director and Deputy Group Chief Executive Officer (since August 2010). He was appointed Chief Executive Officer, North America in September 2016, and in that role is responsible for setting and managing the strategy, business performance and corporate transactions for the Group's North American business.

Anthony joined Goodman in 2004 as Group Chief Financial Officer and was appointed Group Chief Operating Officer in February 2009 before taking on his current positions.

Anthony is a qualified Chartered Accountant and has over 20 years' experience in the property industry, having previously held a number of senior roles in the property funds management industry and chartered accountancy profession.

Penny Winn – Independent Director

Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed to the board of Goodman Limited and GFML on 1 February 2018; Tenure 1 year, 5 months

Penny is an Independent Non-Executive Director of Goodman Limited and Goodman Funds Management Limited. Penny is also currently the Chair of Port Waratah Coal Services Limited (since June 2015), a Non-Executive Director of CSR Limited (since November 2015) and a Non-Executive Director of Caltex Australia Limited (since November 2015).

Penny has over 30 years of experience in retail, supply chain and digital strategy in senior management roles in Australia and overseas, including as Director Group Retail Services with Woolworths Limited (2011-2015) where she was responsible for leading the Logistics and Information Technology divisions, Online Retailing and the Customer Engagement teams across the organisation. She has previously served as a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantum Group.

Penny is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney.

Former Independent Director

Jim Sloman OAM – Former independent Director

Appointed to the board of Goodman Limited and GFML on 1 February 2006 and retired on 15 November 2018

Jim was an Independent Non-Executive Director of Goodman Limited and Goodman Funds Management Limited before his retirement at the 2018 Annual General Meeting. Jim has over 40 years of experience in the building and construction industries in Australia and overseas, including experience with Sir Robert McAlpine & Sons in London, Lend Lease Corporation in Australia and as Deputy Chief Executive and Chief Operating Officer of the Sydney Organising Committee for the Olympic Games (SOCOG) from 1997 to 2001. He was the CEO and a director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. He advised on major events including the London 2012 Olympic Games and Rio de Janeiro 2016 Olympic Games. Jim is currently working as an advisor to the Qatar 2022 World Cup.

In addition, Jim is Chairman of Laing O'Rourke Australia Pty Limited and of several of its associated companies and a director of SHAPE Holdings Pty Limited and of several of its associated companies. With his range of experience, Jim brought significant property, construction and major projects expertise to Goodman while a director.

Company Secretary

Carl Bicego – Group Head of Legal and Company Secretary

Appointed as Company Secretary of Goodman Limited and GFML on 24 October 2006

Carl is the Group Head of Legal and the Company Secretary of the Company. He was admitted as a solicitor in 1996 and joined Goodman from law firm Allens in 2006. Carl holds a Master of Laws degree and Bachelor of Economics/Bachelor of Laws (Hons) degrees.

Directors' meetings (GL and GFML)

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

Directors	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held ⁵	Attended	Held ⁵	Attended	Held ⁵	Attended	Held ⁵	Attended
Ian Ferrier	8	8	4	4	4	3	–	–
Gregory Goodman	8	8	–	–	–	–	–	–
Christopher Green ¹	2	2	1	1	–	–	–	–
Stephen Johns ²	8	7	4	4	–	–	4	4
Rebecca McGrath ²	8	7	–	–	4	4	4	4
Danny Peeters ²	7	6	–	–	–	–	–	–
Phillip Pryke	8	8	4	4	4	4	–	–
Anthony Rozic	7	7	–	–	–	–	–	–
Jim Sloman ³	2	2	–	–	1	1	2	2
Penny Winn ⁴	8	8	3	3	1	1	4	4

1. Chris Green was appointed as a director on 28 April 2019 and commenced as a member of the Audit Committee on 17 May 2019.

2. Stephen Johns, Rebecca McGrath and Danny Peeters were unable to attend one unscheduled meeting held on short notice due to pre-existing commitments.

3. Jim Sloman retired as a director on 15 November 2018.

4. Penny Winn ceased to be a member of the Audit Committee and commenced as a member of the Remuneration and Nomination Committee on 17 May 2019.

5. Reflects the number of meetings individuals were entitled to attend.

Directors' report

(continued)

REMUNERATION REPORT – AUDITED

Dear Securityholders,

On behalf of the Board, we are pleased to present the 2019 remuneration report. It outlines Goodman's remuneration strategy and the changes we have made following stakeholder feedback. Goodman's remuneration framework is integral to attracting and retaining high quality professionals with local expertise, who develop businesses and relationships globally and drive Goodman's long-term success. It is integral to the exceptional results delivered for Securityholders.

Performance

It has been another strong year of performance for the Group, following ten years of outperforming its peer group locally and globally.

Total Securityholder return (TSR)	1 year %	3 year %	5 year %	10 year %
Goodman ¹	59.4	123.2	223.4	927.1
S&P/ASX 20	14.3	45.0	40.7	152.7
S&P/ASX 100	12.6	44.7	52.9	165.1
S&P/ASX 200 A-REIT	19.3	26.4	89.4	269.8
MSCI World REITs	13.6	15.5	39.2	229.5

1. Goodman TSR does not assume re-investment of distributions.

Key highlights include:

- + TSR of 59.4% in 2019 and 223.4% over the past five years (outperforming the major local and global indices;
- + for FY19, statutory profit of \$1.6 billion (+48.2%) and operating profit of \$942.3 million (+11.4%), both materially ahead of targets; and
- + in FY19, \$3.8 billion of valuation growth across the platform (+10% on assets valued) and assets under management (AUM) up 21% to \$46.2 billion, and development work in progress (WIP) up 14% to \$4.1 billion.

Remuneration approach

The Group's remuneration is determined through a bottom up assessment of the region, business unit and the individual. The framework is focused on:

- + influencing long-term decision making and collaboration across business units and international operations;
- + delivering superior Group performance on both a short-term and long-term basis; and
- + managing risk appropriately and reinforcing the Group's cultural values and behaviour as guided by its Code of Conduct.

We have taken a consistent and long-standing approach to remuneration. It is a partnership approach where the long-term returns of the Group are shared between Securityholders and Goodman's people.

Our people are largely based outside Australia, and as we focus on creating the right culture, the right perspective and long-term performance, we use a structure that can be effective and understood across our global workforce. Remuneration is concentrated on long-term equity-based rewards. Aligning ALL people at Goodman with Securityholders through the Group's remuneration policy has added significant value to Goodman. It has been a critical differentiator in generating and rewarding that long-term performance and retaining our people in a highly competitive global environment.

FY20 remuneration changes

Following the advisory vote against our remuneration report at last year's Annual General Meeting, the Board has engaged with investors and other stakeholders, including proxy advisors, to better understand their concerns and collate feedback on potential areas of improvement on Goodman's remuneration policy and framework as well as our remuneration report. These discussions indicated that while the overall principles of the Group's remuneration strategy are well supported, a number of improvements should be made to increase transparency and rigour around the remuneration structure.

In response to this, the Board has made changes to the remuneration structure and disclosures while retaining the core principles and structure of the plan. The key areas of improvement are covered in more detail in section 1.1 and include:

- + Incorporating additional disclosures in support of variable remuneration
- + Changing the operating earnings per security (EPS) hurdle under the Long Term Incentive Plan (LTIP) to an Operating EPS hurdle range over the three years that is set at the time of each grant. This is to give more transparency around performance expectations with graduated vesting over the range
- + Further explaining of the rationale for the use of Goodman's operating profit in determining remuneration outcomes
- + Explaining in more detail the comparator sets used in assessing remuneration levels.

The Board believes that these substantive improvements will enhance transparency, sustain continued focus on long-term performance and provide a fair and equitable allocation of rewards between Securityholders and Goodman's people over the long term.

The retention of talent is critical for the long term and is increasingly challenging as opportunistic competitors seek to recruit Goodman's high-performing teams. The Group's remuneration policy plays a critical role in helping to ensure that the Group has the right human resources to deliver our strategy and drive performance for all stakeholders.

We will continue to engage in an open and meaningful dialogue with Securityholders and other stakeholders to enhance understanding of our policy and its contribution to Goodman's performance as well as our understanding of Securityholder concerns and local and global market practices. We hope we can rely on your support at our 2019 Annual General Meeting in November.

Yours sincerely,



Ian Ferrier AM
Chairman



Phillip Pryke
Chairman, Remuneration & Nomination
Committee

Directors' report

Remuneration report – audited (continued)

1. SUMMARY OF CHANGES TO REMUNERATION

1.1 Summary of changes to remuneration

The table below details the key components of the remuneration structure reviewed by the Board for FY20 and the rationale for the outcome:

Area reviewed	Change	Rationale	More information
LTIP Operating EPS performance hurdle (see section 1.2)	YES	<p>Performance rights assessed under the Operating EPS hurdle to remain at a weighting of 75%. However, for FY20 and future grants, testing criteria will change. For the FY20 grant:</p> <ul style="list-style-type: none"> + the Board will set an Operating EPS hurdle to grow Operating EPS to a range of outcomes between Threshold level and Upper level over the three year testing period. + 25% of performance rights will satisfy the hurdle at the Threshold level and 100% will satisfy the hurdle at the Upper level, with a sliding scale of vesting for outcomes between this range. + the Operating EPS range will be set with reference a number of factors including market indices, global forecasts and the economic environment to ensure they are competitive and challenging but allow Goodman to maintain appropriate risk settings. <p>This improves the existing system by:</p> <ul style="list-style-type: none"> + formalising the required growth rates over the entire testing period at the time of grant; and + removing “cliff vesting” by providing for graduated vesting on a straight-line basis where 25% of LTIP satisfy the hurdle at the Threshold level and 100% at the Upper level. 	Section 1.2
LTIP TSR performance hurdle	NO	<p>Performance rights assessed under the relative TSR hurdle remain at a weighting of 25%.</p> <p>TSR impacts the value of all performance rights, which is the primary form of remuneration. Therefore, the impact of the 25% weighting to TSR is understated in relation to the overall alignment with Securityholders.</p> <p>TSR (through growth in the value of securities) provides an effective check against increasing risk practices within the Group as the security price will reflect the market perceived risk of the Group.</p> <p>Peer group for relative TSR is to remain the S&P/ASX 100, which correlates with the majority of our investors' benchmarks relevant to security holdings.</p>	Section 3.1
LTIP testing and vesting period	NO	<p>Testing period remains three years. Vesting of performance rights will still occur in three equal tranches shortly after years 3, 4 and 5.</p>	Section 3.1

Area reviewed	Change	Rationale	More information
LTIP – cliff vesting	YES	The three year testing range provides for graduated vesting; 25% at the Threshold Level and 100% at the Upper level.	Section 3.1
Operating EPS calculation	NO	Operating EPS will continue to be based on the Group's operating profit as consistently defined by the Board.	Section 3.2
Short-term incentive (STI) disclosure	YES	Increased disclosure for individual executive key management personnel (KMP) regarding achievements across financial and non-financial items.	Section 4.8
Perception that STI and long-term incentive (LTI) use the same metrics	YES	<p>Requirements for awarding of STI and testing of performance rights are distinctly different. For any individual STI awards to be granted, two gates must be achieved first: (1) meeting Goodman behavioural expectation per the Code of Conduct; and (2) achieving Operating EPS based on the annual forecast.</p> <p>The Board intends to continue to announce an annual forecast Operating EPS each year with the release of the full year results.</p> <p>LTIP vesting is based on a range of outcomes using Operating EPS and TSR performance hurdles tested over three years (discussed above).</p>	Section 3.1
LTI cap	NO	<p>The number of performance rights outstanding under the LTIP is capped at 5% of total issued securities and covers the entire employee population globally. As performance rights vest over 5 years, this effectively limits annual grants to an average of 1% of total issued securities per annum. For FY20 awards, the number of performance rights intended to be issued has reduced by 33% compared to the prior year's award, primarily reflecting the increase in security price over the past year,</p> <p>Under the new performance measures, the three year Operating EPS hurdle must be met after allowing for full dilution resulting from securities issued through vesting and those to be issued as a result of testing over the measurement period.</p>	Section 3.1 and 6.2
Quantum assessment	YES	The Board uses local and global labour market comparators, more relevant to the competitive nature of our global workforce, including reference to S&P/ASX companies with global operations, private equity, fund managers and developers. The number of performance rights declined significantly.	Section 3.5
STI cap	NO	STI will remain capped at 150% of fixed remuneration for executive KMP, with 50% deferred 12 months.	Section 6.1

Directors' report

Remuneration report – audited (continued)

1.2 Establishing performance hurdles

For FY20 awards under the LTIP, the Board has introduced an Operating EPS performance hurdle range for testing performance rights. This improves the current performance hurdle by:

- + formalising the required growth rates over the entire testing period at the time of grant; and
- + providing for graduated vesting on a straight-line basis where 25% of performance rights satisfy the hurdle at the Threshold level and 100% at Upper level.

The hurdle range is for the purpose of remuneration only, specifically the testing criteria for vesting of performance rights. The range does not constitute earnings guidance for the Group.

The Board has set an Operating EPS performance hurdle of growing Operating EPS from the FY19 result of 51.6 cents to between 61.4cents (Threshold level) and 66.8cents (Upper level) in FY22. At the Threshold level, 25% satisfy the hurdle with a sliding scale up to 100% satisfying the hurdle at the Upper level. This range is equivalent to between 6% and 9% compound annual growth rate (CAGR) in Operating EPS or approximately 19% to 30% over the three year testing period.

The range has been set with reference to:

- + the range of potential opportunities for the Group globally;
- + the long-run historical performance of the Group;
- + the global economic environment, noting that the current rate of inflation in Australia and the major markets in which Goodman operates globally is around 2% and the current 10 year rate of interest on government securities in Australia and most major markets is below 2% per annum;

- + the average rate of EPS growth from other large Australian companies and REITs is in the order of 2% to 4% per annum based on a range of broker estimates; and
- + the desire to achieve a sustainable long-term growth rate that is robust and competitive with the market on a risk adjusted basis, reflecting the low financial leverage of Goodman and other risk settings. Increasing hurdles to unsustainable levels based on current risk parameters will encourage riskier behaviour, inconsistent with an acceptable tolerance and framework. This could potentially lead to lower quality earnings and adversely affect the intent of the LTIP.

The Board also notes that the range is set for the entire period of the grant and hence performance must be achieved regardless of changes to business conditions globally. Management and other employees carry the risk associated with external factors negatively impacting Operating EPS.

Importantly, the Operating EPS performance hurdle calculation includes all securities issued under the LTIP through the testing period and the additional tested (but not vested) performance rights.

The Board believe the hurdle is:

- + competitive with the market and peer groups;
- + challenging for management; and
- + appropriate in the context of the current business risk settings.

Operating EPS performance hurdle considerations for FY20 hurdles

Thresholds and comparisons	EPS (cents)	CAGR in EPS	Cumulative growth in EPS
Proposed Threshold level	61.4	6%	19.0%
Proposed Upper level	66.8	9%	29.6%
S&P/ASX 100 FY20-22 (Broker estimates and FactSet)	n/a	2.5%	7.6%
S&P/ASX 200 A-REIT FY20-22 (ex Goodman)	n/a	2.7% ¹	8.4% ¹

1. Broker estimates

Economic indicators	Australia (% pa)	United States (% pa)	Europe (% pa)
10 year bond rates	1.1	1.6	-0.1
Inflation	1.6	1.6	1.86

Directors' report

Remuneration report – audited (continued)

2. SUMMARY OF REMUNERATION OUTCOMES

Executive remuneration mix

- + Remuneration mix is significantly weighted to at-risk pay.
- + Group Chief Executive Officer (CEO) vested remuneration was 91% at-risk in the form of LTI (no STI).
- + Executive KMP remuneration 89% at-risk
- + The Board determined that Anthony Rozic's fixed remuneration be benchmarked to the US market and paid in US\$ to reflect his responsibilities as CEO, North America, with effect from 1 January 2019. His new fixed remuneration is US\$700,000

Total remuneration FY19 (vested)

	Fixed remuneration (%)	LTI (%)	
Gregory Goodman	9		91

STI outcomes

- + Key performance indicators (KPIs) for the executive KMPs are aligned with sustainable delivery of financial, environmental and strategic results to Securityholders.
- + While LTI is the focus of remuneration, STI is important in reflecting exceptional performance on a year-on-year basis and offsets the low base pay.
- + Executive KMP (excluding Group CEO) average STI as a % of maximum was 89%.
- + Executive KMP (excluding Group CEO) STI increased slightly compared to FY18 primarily due to the outperformance of the Operating EPS target.

Financial performance highlights

- + FY19 Operating EPS growth of 10.5% vs target of 7%
- + TSR of 59.4% for FY19 and top performing S&P/ASX20 company by TSR
- + Maintained low financial leverage with gearing at 9.7%
- + Operating profit growth of 11.4%
- + AUM growth of 21% to \$46.2 billion and development WIP increased 14% to record level at \$4.1 billion
- + Weighted average Partnership returns of 15.9%
- + Two Partnerships were awarded 'Sector Leader' in their respective peer groups in the Global Real Estate Sustainability Benchmark (GRESB)

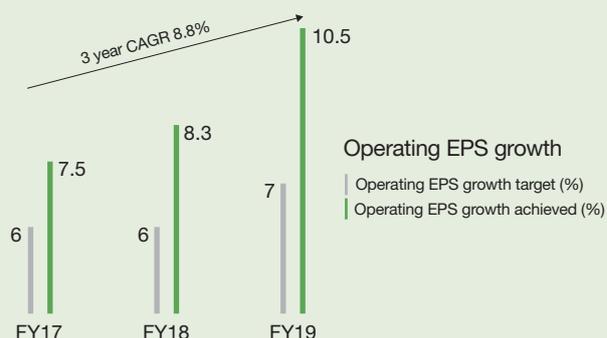
Non-financial performance highlights

- + Development of a contemporary global sustainability strategy with defined targets to 2030
- + Significant community impact made by the Goodman Foundation through grants, in-kind donations and volunteering and fund raising efforts of Goodman people around the world
- + Continued improvement in ratings from GRESB and Sustainalytics

LTI outcomes

Outcomes of historic grants:

- + FY16 grant, measured at the end of FY19:
 - Operating EPS (75% weighting): tested against Operating EPS hurdle over three years – vested at 100%
 - TSR (25% weighting): relative TSR percentile ranking tested against S&P/ASX 100 – vested at 100%



Three year growth in EPS of 29% vs target of 20%

TSR

TSR over three years of 123.2% vs S&P/ASX 100 at 44.7%

- + Total increase in Securityholder value of \$10 billion in FY19
- + 94th percentile relative to the S&P/ASX 100 over the three year testing period

3. REMUNERATION PHILOSOPHY AND LINK TO BUSINESS STRATEGY

Goodman is a globally diversified real estate fund manager and one of the largest listed industrial property groups globally with 68% of earnings outside Australia and 72% of earnings from active development and management businesses. Consequently, Goodman's remuneration structure has some key differences from the Australian market. This reflects the requirements of the labour market we are competing in globally, not just Australia, and the objective of aligning multiple regional businesses and operational segments with Group performance outcomes.

The Board:

- + encourages management to take a long-term strategic rather than opportunistic approach to the Group's property and investment management businesses as it can take significant time to create value;
- + has overlaid the operational, financial and human strategy focused on this process in order to create long-term sustainable returns; and
- + focuses on cash profit as the most tangible means of measuring long-term value creation for Securityholders.

Given the cyclical nature of real estate, incentive structures within real estate businesses are highly outcome driven (particularly private equity real estate managers where the majority of institutional assets reside). The Group's remuneration framework is therefore focused on influencing long-term decision making and collaboration across business units and international operations to derive sustainable outcomes. This may result in capital and resource allocations shifting over time, which are aimed to deliver the best risk adjusted returns overall, at the

expense of one part of the business and to the benefit of another. This requires collaboration across regions and divisions and long-term thinking which is encouraged by the Group's remuneration structure.

The Board annually considers remuneration with a three to five year view. It considers how the performance of the Group has been influenced by the decisions over the last three to five years and how it expects the business to perform over the next three to five years. It is not solely an exercise in reviewing a single year. This drives several key principles of remuneration at Goodman:

- + focus on LTI as the predominant source of pay for performance. All employees are eligible to receive LTI grants as a material component of remuneration (see section 4.7), ensuring alignment and reward with Securityholders across the Group;
- + focus on cash profits as the primary testing measure for grants. This aligns the deliverable outcomes of all employees globally with Goodman's aspirations of long-term cash flow growth, resilience and sustainability (see section 3.2);
- + collaboration to achieve Group-wide targets across regions and business units; and
- + a culture of ownership, inclusion and alignment.

The Board believes the success of Goodman is primarily due to the depth of talent globally executing a strategy that requires strong collaboration and the culture of inclusion created by the LTIP. The Board believes that Goodman's LTIP is unique in the Australian market.

Our human capital is therefore critical to the continued success of our business over the next five years. The retention of people is critical for the long term and is increasingly challenging as opportunistic competitors seek to recruit Goodman's teams.

Directors' report

Remuneration report – audited (continued)

3.1 Objectives of remuneration strategy

Attract	Reward	Long-term alignment of our people and Securityholders
Remuneration structure	Performance conditions	Alignment with strategy and long-term performance
<p>Fixed remuneration Low fixed costs</p>	<p>Scope and complexity of the role, individual absolute and relative comparison in the relevant market and comparator group</p>	<p>Real estate investment management and development are cyclical so fixed employee costs are kept low.</p>
<p>Short-term at-risk remuneration Group CEO: 0% of remuneration Other executive KMP: 10%-15% of total remuneration For executive KMP: 50% of STI paid in cash after release of full year results and 50% deferred for 12 months STI is an at-risk award for outperformance over the past 12 months. Failure to meet STI gates (i.e. Code of Conduct and Operating EPS) will result in zero award.</p>	<p>Gate 1: meeting Goodman behavioural expectation per the Code of Conduct Gate 2: achieving Operating EPS target</p> <p>Financial measures The Group's financial objectives vary with strategic priorities but include:</p> <ul style="list-style-type: none"> + level of Operating EPS growth + property investment performance + development performance + Partnership performance + capital management <p>Non-financial considerations A balance of measures that underpin the sustainability of the business including environmental commitments, customer satisfaction, and Partnership performance, risk management, safety and diversity Assessment of conduct is continual in the organisation and is a gate to any STI. The Board believes it is an absolute and hence applying a percentage weighting to the measure is less effective.</p>	<p>STI is an at-risk component, rewarding financial and non-financial performance against objectives of the individual and the Group. Awards have varied from 0% in FY10 to 100% of the maximum and have averaged 79% of maximum allowable over ten years.</p> <p>The performance of individuals is assessed through a detailed bottom up performance appraisal process based on contribution to defined objectives that reflect behavioural expectations, annual contribution to results as well as strategic and other contributions where these results or benefits may be reflected in future years. Base salaries for the executive KMP roles are set low versus peers and this is carried through in lower STI outcomes.</p> <p>Operating profit growth and capital management are of the highest importance in financial assessment. These factors together encourage not only the Operating EPS targets being met but also the method in which they are met matches appropriate risk and quality settings.</p> <p>This structure is simple and transparent and aligns management with the Operating EPS growth expectations of Securityholders. At senior executive level in the Group, the focus on STI as a form of reward has reduced in favour of LTI, in line with a culture and ethos of sustainable outcomes.</p> <p>STI awards are used by the Board to reward exceptional performance such as those in the FY19 results.</p>
<p>LTI at-risk remuneration Rewards long-term sustained performance Will be awarded in FY20 as a result of FY19 performance achievements and expected future contributions Issued as performance rights tested over three years and vesting over three to five years Encourages a more collaborative approach and broader distribution of performance across the entire workforce when the Group is performing, not just executive KMP</p>	<p>For proposed FY20 grant:</p> <ul style="list-style-type: none"> + Operating EPS hurdle range (75%) + relative TSR against the S&P/ASX100 (25%) – this aligns with investors' benchmarks relevant to their holdings and provides closest alignment with their performance 	<p>Operating EPS is a critical measure of long-term performance (see section 3.2).</p> <p>Hurdles are set to be competitive and challenging (see section 1.2) relative to external and internal reference points.</p> <p>TSR and Operating EPS cohabit as TSR impacts the value of all performance rights, so the impact of the 25% weighting is understated in relation to its importance in overall alignment.</p> <p>TSR provides an effective check against increasing risk practices within the Group. The price to earnings multiple attributable to securities will reflect the perceived risk in achieving Operating EPS targets, which impacts vesting and the ultimate value upon vesting.</p> <p>The weighting to LTI is believed to be the best way of rewarding sustained performance and retaining talent.</p> <p>The significant security price rise has seen the expected number of performance rights to be issued in FY20 decrease by 33%, resulting in less future dilution of Operating EPS.</p> <p>The total number of performance rights outstanding under the LTIP equates to 4.4% of the Group's issued securities. If all hurdles are achieved, then this would mean the number of performance rights vesting each year is approximately 1% of the total securities on issue. FY20 intended performance rights represent a significantly lower percentage of issued securities.</p>

At-risk remuneration

3.2 Operating EPS

The Group provides Statutory profit disclosure in accordance with Australian Accounting Standards, including all required specific disclosures. The Board believes that managing the business on what is primarily a cash profit basis is fundamental to long-term cash flow and is the strongest determinant of value creation over time. That is the intent of the operating profit definition. The measure has been consistently applied for 14 years.

- + Operating profit intentionally excludes non-cash measures which can lead to anomalies over time and which may cause structural cash and liquidity mismatches. In the past, the Group has excluded significant cash realised profits (such as the urban renewal realisation gains) where these were believed to be cyclical in nature and not reflective of long-term earnings. The measure represents a key link between the impactable operational outcomes at an individual level and the overall outcomes which create Securityholder value for the Group, directly reflected in Operating EPS measures.
- + It is important as a transparent driver of employee behaviour in all aspects of the business from location selection, to quality of product, dealings with partners and financial leverage among other things. This aims to drive long-term capital and human resources decisions without adding volatility.
- + Outcomes for employees through the LTIP and equity performance are directly aligned with the long-term cash profit growth of the business on a per security basis, which is believed to be the real driver of performance.

In addition, the proposed three year hurdle will account for any dilution over the three years through successful testing of prior year grants. This is because the Operating EPS hurdle range must be met allowing for all securities vested during the three year period and securities tested but unvested in year 3 in the weighted average securities calculation.

The share based payments (SBP) expense reflects the amortisation of the aggregated fair value applicable to outstanding performance rights grants. It is disclosed and expensed in our statutory accounts per the accounting standards. Like other non-cash items (such as revaluations), SBP are excluded from our operating profit. Importantly for Securityholders, the Board believes that SBP:

- + have no impact on Securityholder value until they vest;
- + do not reflect the cost of the plan to Securityholders or the true value to employees; and
- + increase volatility and decrease earnings transparency on a short term basis depending on movements in security price, subjective assessments and other valuation parameters.

Prior to vesting, performance rights have no entitlement to income or net assets, therefore no dilution to Securityholders.

- + the financial impact of the performance rights occurs only when securities are issued through the dilution impact at the time of issuance and future EPS dilution;
- + this only occurs if testing / vesting criteria are passed and by extension, the Group's performance has achieved / exceeded performance criteria;
- + not all performance rights necessarily vest;
- + following successful testing at year three, only one third of the tested performance rights vest. The remainder have no rights until they vest, following the end of years four and five; and
- + Goodman includes all tested performance rights (even those which have been tested but have not vested) in the denominator when calculating Operating EPS. The Board considers this to be conservative.

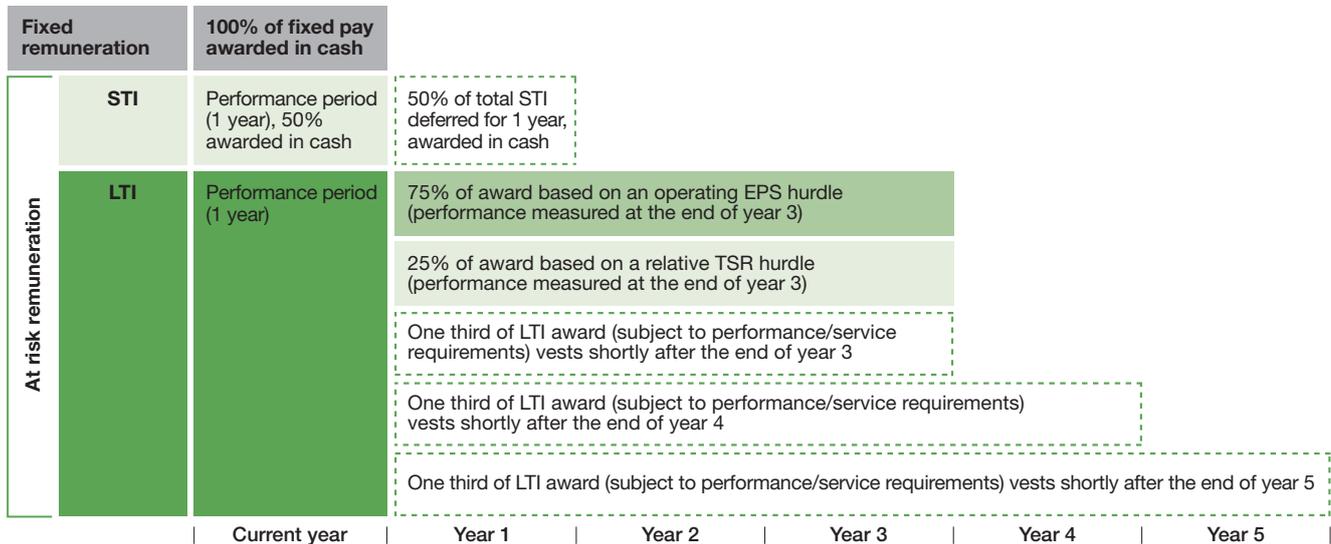
Directors' report

Remuneration report – audited (continued)

3.3 When is remuneration earned and received?

The Group CEO's performance based pay for FY19 performance will be 100% awarded in the form of an LTI grant (to be made post the Annual General Meeting in November 2019 subject to Securityholder approval) that will be tested in future periods. This means the Group CEO must achieve performance goals over a period of three years to qualify for performance based pay. Vesting then occurs in equal tranches after years three to five. However, there is no certainty of vesting and the final outcome is dependent on the movement in the security price over the next five years.

A significant proportion (69-78%) of the executive KMP (excluding Group CEO) performance based pay for FY19 will also be delivered in the form of performance rights. The chart below illustrates the Group's remuneration component and timing of receipt, noting that the Group CEO is not receiving an STI for FY19.



3.4 Remuneration components for executive KMP

The chart below illustrates the potential components of remuneration using:

- + current fixed base pay;
- + the maximum potential STI outcome (equivalent to 150% of fixed base pay); and
- + an LTI value using 100% of intended grant to be made in FY20 at \$15.03 per right, which was the security price at 30 June 2019.

Fixed remuneration (%)	STI (%)	LTI (%)	
Gregory Goodman	9		91
Danny Peeters	12	19	69
Anthony Rozic	12	18	70
Nick Kurtis	9	14	77
Michael O'Sullivan	9	13	78
Nick Vrondas	9	14	77
At risk			

This analysis is different to both the statutory presentation of remuneration and the vested remuneration analysis, which are discussed later in the remuneration report. This chart reflects the significant level of overall remuneration that is at risk, which is a key consideration for the Board in its determination of STI and LTI awards in respect of FY19 performance.

Directors' report

Remuneration report – audited (continued)

3.5 Peer group and quantum assessment

Goodman is the 14th largest entity listed on the ASX, and a member of the S&P/ASX 20 index. The Group has limited direct comparable real estate market peers in Australia, with it having operating businesses in five continents and 17 countries, each with market driven remuneration outcomes. It is not just a collection of domestic assets like most Australian REITs. The Group's 959 staff are mostly offshore, and consequently Goodman competes for labour in an international market. When assessing the quantum of remuneration awards the Board considers:

- + 72% of earnings are from management and development activities which require more intensive day to day activity than a passive investment portfolio;
- + the Group provides its customers and partners with investment management, asset management, development, financial, transaction and capital management services in the listed and private equity capital markets globally; and
- + 68% of earnings are generated in international markets and 80% of employees are situated offshore.

Goodman's Partnerships include a far greater volume of assets and revenues than those shown in Goodman's financial statements. Employees manage and create value in respect of \$46 billion of assets globally, generated a combined statutory profit of \$5 billion in FY19 and construct around \$4 billion of new development product per annum. The performance and returns from this manifest in Group performance which flows through to remuneration.

3.6 Various peer group CEO comparators considered by the Board

Peer group comparator	Reason for comparison	Annual remuneration ¹	Annual remuneration average ¹	Offshore earnings	1 year TSR	5 years TSR
Goodman	N/A	\$14.9m	\$14.9m	68%	59.4%	223.4%
S&P/ASX 20	Goodman is number 14 in the S&P/ASX 20 index.	\$3m-\$20m	\$12m	n/a	14.3%	40.7%
Selected ASX companies with global operations	68% of GMG earnings are outside Australia. The comparator group is slightly less on average and has similar average operating earnings before interest and tax. It provides a reference for local companies operating offshore in a number of industries.	\$4.7m-\$20m	\$11m	56%	9.8%	141.3%
Global REITs including Australia	Goodman is the largest REIT in Australia by market capitalisation and one of the largest global industrial property entities.	\$6m-\$53m	\$15m	n/a	14.3% ²	21.1% pa ²

1. Reflects fixed base pay and the face value of the intended award of performance rights, using the closing Goodman security price of \$15.03 at 30 June 2019. Peer group comparator information is calculated using ISS pay benchmarking data and methodology.

2. One year and five year TSR reflects the MSCI World REITs index.

Private equity managers were also considered for comparison, particularly with respect to the nature of pay for performance remuneration structures in those types of enterprises.

The assessment and presentation of the allocations of SBP awards in the table above use face value metrics, as is market practice. That is, no discount is applied to SBP for vesting risk or time value of money. The Board has considered the total remuneration noting its determination that the Group CEO will continue not to participate in the STI award, and 91% of his remuneration for FY19 performance will be taken in the form of at-risk performance rights. This means that the Group CEO may not receive any incentive in respect of his performance for FY19 if the Group does not meet its performance hurdles under the LTIP over the next three years. Furthermore, the award will be subject to Goodman's security price performance over the next five years. In the Board's opinion, this results in a more significant at-risk element to the Group CEO's remuneration compared to other ASX listed companies.

Directors' report

Remuneration report – audited (continued)

4. REMUNERATION OUTCOMES AND THE LINK BETWEEN PERFORMANCE AND REWARD

4.1 Group FY19 highlights

- + Goodman outperformed the major local indices (S&P/ASX 20, S&P/ASX 100, S&P/ASX 200 A-REIT) and the global MSCI World REIT index over one, three and five years
- + Goodman was the largest real estate entity listed on the ASX. The Group's equity market capitalisation increased by \$10 billion to \$27 billion at 30 June 2019.

Financial



Statutory profit of \$1,628 million (up 48.2% on FY18)

Operating profit of \$942.3 million (up 11.4% on FY18)

Operating EPS of 51.6 cents (up 10.5% on FY18)

Distribution of 30.0 cents per security

Net tangibles assets (NTA) per security increased 15.1% to \$5.34 per security

Operational property investment, management and development



High occupancy maintained at 98% and like for like net property income growth of 3.3%

Total AUM of \$46.2 billion (up 21% on FY18)

Management earnings up 48% to \$469.7 million

Commenced \$4.2 billion of new developments and completed \$3.9 billion

People and culture



All permanent employees are equity owners through the LTIP

Significant community impact made by the Goodman Foundation through grants, in-kind donations and volunteering and fundraising efforts of Goodman people around the world

Implemented strategies to improve labour standards, fair work practices, improve ethics and eradicate potential instances of modern day slavery in our supply chains

Lead safety performance metrics have reduced safety non-conformances in Goodman's projects and asset management operations.

Promotion and application of the Goodman values integrated throughout the business

Environmental



100% of Goodman's developments globally included sustainable design initiatives.

The Group committed to 100% carbon neutral operations by 2025

Two Partnerships were awarded 'Sector Leader' for their respective peer groups in the 2018 GRESB with all previously rated Partnerships awarded GRESB 3 star+. Sustainalytics rating also materially improved

Commitment to TCFD (Task Force on Climate-related Financial Disclosures) regime

30MW+ of solar PV installed across Goodman's portfolio globally

Capital management



Debt refinancing transactions totalling \$2.8 billion and over \$6.0 billion of hedging transactions for the Group and Partnerships

Low gearing at 9.7%

\$2.7 billion of available liquidity, \$1.6 billion in cash in the Group

4.2 Long-term results

In addition to the FY19 results, performance has been demonstrated over many years through specific actions of the Board and management including:

- + \$21 billion in Securityholder value generated over five years;
- + significant reduction in financial leverage (gearing) since 2009 from 47.9% to 9.7%;
- + diversification of the Group's sources of debt and tenor;
- + increased quality of the property portfolio through over \$15 billion asset sales since 2013 and concentrating the portfolio in predominantly urban infill markets;
- + reduced operational leverage through partnering of development activity, reducing volatility of earnings but increasing return on assets (ROA). The impact of increased development within the Partnerships has increased their returns and also the prospects for performance fees in the medium to longer term;
- + significant sales of assets that were reconfigured for higher and better residential use. On these transactions, the substantial profit was not included in operating profit despite being cash realised gains as they were believed to be over and above the usual course of business;
- + conservative pay-out ratio to retain funding for growing development demand; and
- + the focus on growing operating profit, which mirrors cash profit, has strengthened alignment with actual and realised returns.

4.3 Code of Conduct

The manner in which employees conduct themselves is crucial to the success of the Group.

Goodman has consistent and transparent practices in place for managing non-compliance with policies and the approach to risk guides the way all employees are expected to conduct themselves.

Within the Code of Conduct there is a set of eight guiding principles that encourage employees to uphold Goodman's reputation and behave appropriately in dealing with our customers and other team members. Employees are assessed continually against these principles. The guiding principles are:

- + Act in a professional manner
- + Work as a team and respect others
- + Treat stakeholders fairly
- + Value honesty and integrity
- + Follow the law and our policies
- + Respect confidentiality and do not misuse information
- + Manage conflicts of interest
- + Strive to be a great team member

The Board also believes that ownership through the LTIP embeds a culture of inclusion and sense of place in Goodman.

While assessment is continual, the Code of Conduct is a gate for individuals being eligible to receive a STI at the time of assessment. The Board believes this is an absolute requirement and hence applying a percentage to the measure is less effective.

The proportional impact of this measure on STI can be anything from 0%–100%, as any breach of the code can have levels of severity ranging from cessation of employment to minor performance issues which can be managed and rectified and may require varying levels of financial impact, training and/ or personal development.

Directors' report

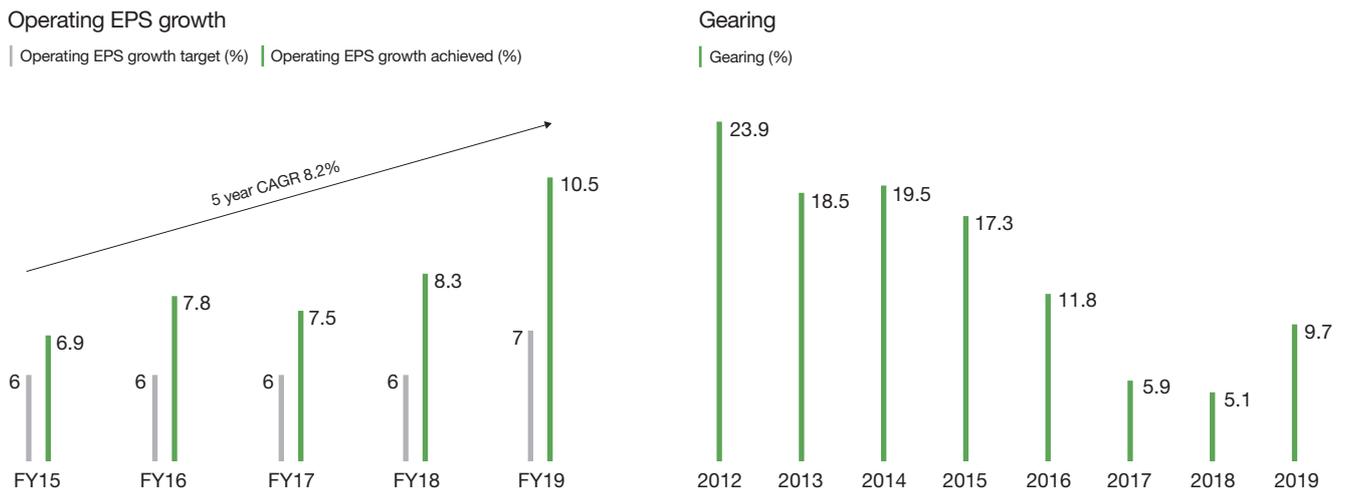
Remuneration report – audited (continued)

4.4 Financial measures

Performance measures	FY14	FY15	FY16	FY17	FY18	FY19
Operating profit (\$M)	601.1	653.5	714.5	776.0	845.9	942.3
Operating EPS (cents)	34.8	37.2	40.1	43.1	46.7	51.6
Operating EPS growth (%)	7.4	6.9	7.8	7.5	8.3	10.5
Security price as at 30 June (\$)	5.05	6.27	7.11	7.87	9.62	15.03
Distributions per security (cents)	20.7	22.2	24.0	25.9	28.0	30.0
TSR (%)	10.7	30.0	17.0	14.2	26.0	59.4
TSR (\$B) ¹	0.7	2.7	2.0	2.0	3.7	10.6
NTA per security (\$)	2.88	3.46	4.10	4.21	4.64	5.34
Growth in NTA (\$B)	0.4	1.1	1.2	0.2	0.9	1.3
Gearing (%)	19.5	17.3	11.8	5.9	5.1	9.7
AUM (\$B)	26.8	30.3	34.1	34.6	38.3	46.2
Market capitalisation premium to NTA (\$B)	3.8	4.9	5.4	6.6	9.0	17.6

¹ TSR = Increase in market capitalisation plus dividend and distribution, attributable to the respective financial year.

The key financial metrics which are aligned with the Group’s strategy, long-term performance and STI and LTI programmes for all employees are Operating EPS and TSR. CAGR in Operating EPS over the past five years has been 8.2%, which has exceeded the forecasts and therefore the hurdles. This has been achieved while at the same time gearing has been reduced.



4.5 Total returns comparison

The Group is included in the S&P/ASX 20 index and is the largest Australian real estate entity. The charts below show the Group’s TSR has significantly outperformed the S&P/ASX 20, S&P/ASX 100, S&P/ASX 200 AREIT indices and the MSCI World REITs index over the past five years.

Total Securityholder return relative performance



Directors' report

Remuneration report – audited (continued)

TSR for the Group versus comparable indices is detailed below:

Total Securityholder return (TSR)	1 year %	3 year %	5 year %	10 year %
Goodman ¹	59.4	123.2	223.4	927.1
S&P/ASX 20	14.3	45.0	40.7	152.7
S&P/ASX 100	12.6	44.7	52.9	165.1
S&P/ASX 200 A-REIT	19.3	26.4	89.4	269.8
MSCI World REITs	13.6	15.5	39.2	229.5

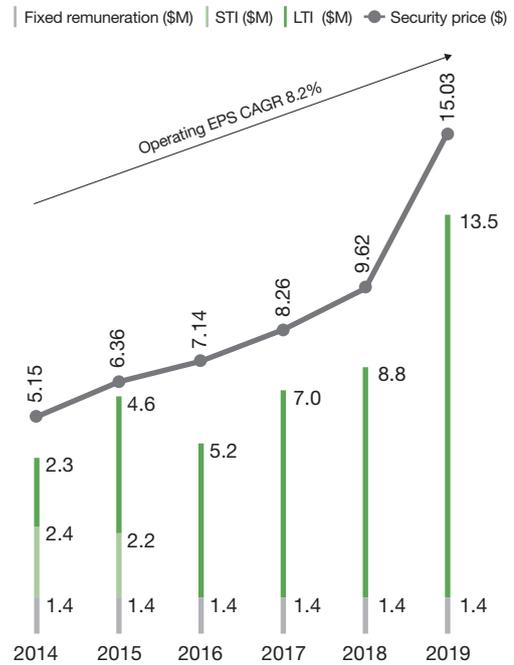
1. Goodman TSR does not assume re-investment of distributions.

4.6 Group CEO remuneration and Goodman performance outcomes

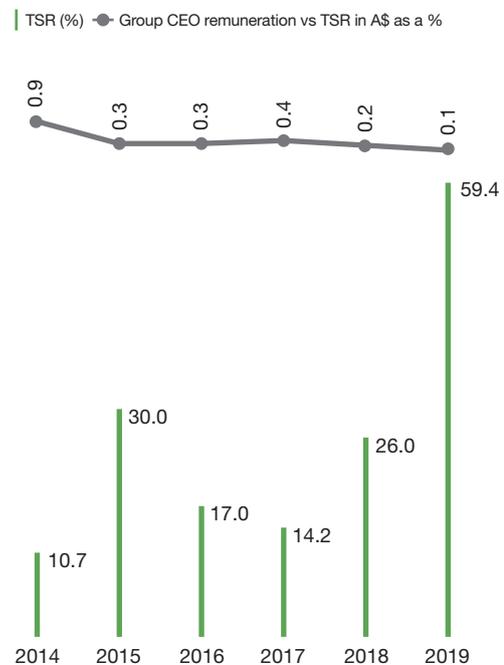
The charts below demonstrate the performance of the Group and various key metrics relative to the Group CEO's vested remuneration outcomes in FY19 and prior years. Vested remuneration is often considered by stakeholders as it represents the value that is actually received by the KMP during the year. It includes fixed base pay, STI and the value of performance rights that vested during the year, using the closing Goodman security price on the day of vesting.

The charts illustrate significant alignment of Group CEO remuneration outcomes and the key metrics for testing and vesting of performance rights. Significant operating profit growth, security price growth and consequently TSR for Securityholders, correlate with increased Group CEO remuneration. Importantly Group CEO vested remuneration as a proportion of TSR (shown in the chart below) and statutory profit has continued to decline, indicating that the Securityholders have experienced a more than proportionate benefit from the Group's performance relative to the Group CEO.

Group CEO vested remuneration and security price



Group CEO remuneration relative to TSR



4.7 Remuneration mix alignment across the Group

The Board believes that the alignment between pay and long-term performance is evidenced by the significant portion of at-risk remuneration for the Group CEO, the other executive KMP and the organisation as a whole, that is in the form of LTI.

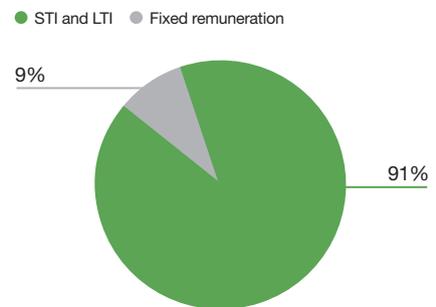
In FY19:

- + 91% of the Group CEO vested remuneration was in the form of LTI, reflecting consistent growth in Operating EPS and security price over the period
- + 74% of the executive KMP vested remuneration (on average) was in the form of LTI
- + around 36% of all other employees' vested remuneration excluding executive KMP (on average) was in the form of LTI.

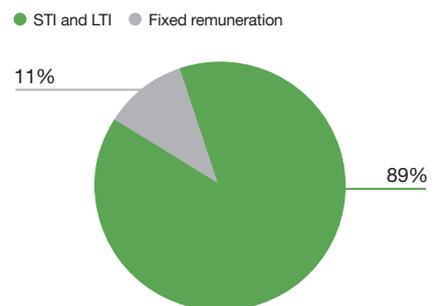
Future remuneration outcomes will depend on the Group achieving its hurdles over the long term and the security price.

The at-risk portion of remuneration (FY19 STI and performance rights vested in FY19) as a proportion of total remuneration for the Group CEO, other executive KMP and remainder of employees, is illustrated in the charts overleaf. They show strong alignment between Securityholders and all employees.

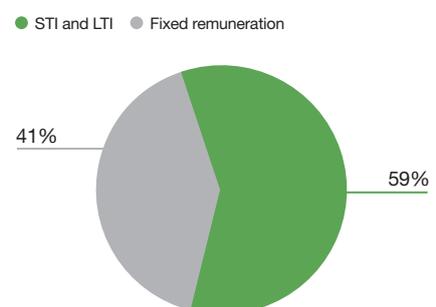
Group CEO
FY19 remuneration



Executive KMP (excluding Group CEO)
FY19 remuneration



All employees (excluding executive KMP)
FY19 remuneration mix



Directors' report

Remuneration report – audited (continued)

4.8 FY19 performance achievements

Group CEO – Gregory Goodman

- + Developed and drove consistent global business strategy across all markets to position the company to deliver long-term, high quality sustainable growth
- + Delivered strong and sustained TSR of 59% in FY19 and 223% over five years
- + Statutory profit of \$1,628 million, up 48% on FY18
- + Operating profit of \$942 million, up 11.4% on FY18
- + Operating EPS of 51.6 cents (up 10.5% on FY18)
- + NTA increased 15.1% to \$5.34 per security
- + Maintained low financial leverage and strong Group balance sheet with \$2.7 billion of liquidity
- + Continued to pursue improved sustainability initiatives and programmes including commitment to TCFD compliance by 2022, and zero carbon emissions for the Group by 2025
- + Continued to foster a culture that focused on delivering quality across all aspects of the business: people, properties and service
- + Reinforced Goodman's purpose aimed at understanding the drivers of change and the needs of our customers and all stakeholders to support their future success
- + Integrated strong risk management approaches globally
- + Continued to show leadership for all employees and alignment with Securityholders through the LTIP as the preferred form of remuneration by taking 100% of performance based remuneration in performance rights
- + Continued to drive global internal programmes to promote a strong culture of inclusion, collaboration and conduct across the organisation, underpinned by the long held principles in the Code of Conduct, treating all stakeholders with integrity, and accountability, always
- + Increased the Goodman Foundation commitment to \$50 million over the next 10 years with \$5.7 million contributed in FY19 and the Goodman team globally contributed 13,000 hours of service through the year. The Foundation focuses on children and youth, community and its health, and food rescue and the environment. Meal programmes and food rescue have provided around 130 million meals globally.

Executive Director, Corporate – Danny Peeters

- + Successfully oversaw business operations in Continental Europe and Brazil, playing a critical role in communicating and reinforcing the Group's strategy in these diverse regions
- + Outperformance against all key performance and financial parameters
- + Continental Europe and Brazil contributed 27% of Group earnings, significantly ahead of budget
- + Strong development results with very active development pipeline, c800,000 sqm of commencements and continued to secure strong development pipeline moving into FY20
- + Supported the integration of the Brazil operation into the global network
- + In Europe, completed sales programme to reposition the stabilised portfolio towards infill, consumption-focused locations:
 - current AUM at \$8 billion
 - occupancy of 97% and weighted average lease expiry of 5.2 years
 - total investment return of 11%, while maintaining conservative gearing
- + In Brazil, played key role in overseeing successful first year of Investment Partnership:
 - continued to secure significant infill land banks for GLBP supporting gross lettable area of more than 400,000 sqm
 - provided guidance in a complex acquisition and development environment effecting on-target performance
 - embedded key controls and culture with the team working cohesively and capability increasing.

CEO, North America and Deputy Group CEO – Anthony Rozic

- + Successfully oversaw strong growth in business operations in North America
- + Critical role in communicating and reinforcing the Group's strategy in the region
- + Strong performance against FY19 targets
- + Positioned North American business over FY19 with focus on pre-leasing developments, replenishing the land/value-add inventory and maintaining focused team. Emphasis on developing major infill sites and value-add development skillsets
- + Continued development of high-quality portfolio and strong differentiated brand position focused in strategic locations close to large urban populations.
- + Strong leadership in embedding the Goodman values in the behaviour of the team and encouraging teamwork with respect
- + Building team capabilities and skill sets for complex acquisitions and developments
- + Consistently integrated the US business into Goodman network through introduction of global processes and tools.

Group Head of Equities – Nick Kurtis

- + Oversaw the strategies of the Partnerships to successfully deliver significant total returns. Partnership investment portfolio delivered:
 - annualised total return of 15.9% for FY19
 - average annualised total return of 16.4% over the past five years
- + Oversaw increase in divisional earnings to \$470 million
 - outperformance leading to strong performance fees of \$204 million
- + Growth in third-party AUM up 22% to \$42.9 billion
 - strong asset selection focus resulting in superior property level returns
- + Maintained strong investor relationships and successful communication of Partnership strategies and alignment of interests with investors
- + Successfully executed continuation of several Partnerships through the course of FY19
- + Raised \$2.4 billion of additional equity to bring total available liquidity in the Partnerships to \$13.6 billion
- + Aligned the Group and Partnerships' long-term investment strategy to optimise financial outcomes.

Directors' report

Remuneration report – audited (continued)

Group Chief Risk Officer – Michael O'Sullivan

- + Continued to implement risk frameworks with improved outcomes across the Group and Managed Partnerships in FY19 adapting to the structural changes driving our business including nature and scale of development projects globally
- + Performed a critical role in commercial oversight and assessment of globally complex transactions for the Group in order to allow the required level of autonomy at a regional level within delegated authority limits
- + A heightened level of activity for Group Risk through Group Investment Committee process including:
 - \$4.2 billion in development commencements and \$3.9 billion of completions
 - \$2.4 billion of asset sales within the Group and to external parties globally
 - \$2.6 billion of global acquisitions
 - 15 business plans and Partnership strategy proposals across \$42.9 billion of global assets.
- + Coordinated Group Corporate Service functions, in the identification and monitoring of non-financial risks including internal audit, safety, sustainability, insurance, data storage and business continuity planning
- + Engaged insurance brokers and underwriters globally to ensure insurable risks are adequately covered
- + Oversaw and aligned the Group Investment Committee process with strategy execution, to ensure proposed commercial outcomes remain consistent with Group strategy
- + Oversaw the development of a contemporary global sustainability strategy with defined targets to 2030.

Group Chief Financial Officer – Nick Vrontas

- + Successfully developed and played a key role in the execution of the business strategy including the management and allocation of capital that has delivered strong returns to investors over several years, culminating in strong operating profit growth, representing 10.5% Operating EPS growth in FY19
- + Continued improvements in financial reporting to facilitate active business management
 - building improvements and resilience into systems and controls framework
 - strengthened monitoring, coordination and consolidation of financial performance and financial position of regional business units and divisions to achieve budgets and financial plans
- + Led operational improvements in relation to business processes, IT and business intelligence applications
- + Updated and improved various operational policies to enhance compliance
- + Managed the financial risk management practices through variable market conditions, consistently reducing overall risk
- + Established a track record in the debt capital markets that has facilitated strong support for Group issuances
- + Ensured strong capital management position and compliance with financial risk management policies of Group and Partnerships
 - oversaw debt finance transactions in banking and debt capital markets of \$2.8 billion for the Group and its Partnerships, adding term to maturity profile and diversity of funding sources
 - effective financial risk management. Involved in and oversaw derivative and hedge transactions of over \$6.0 billion for the Group and its Partnerships.

4.9 LTI Grants in FY20 in relation to FY19 performance

The remuneration awards made by the Board in respect of the executive KMP performance in FY19 comprise fixed remuneration, STI and awards under the LTIP that will be made in FY20. As discussed in section 3.1, these performance rights will be tested over FY20-FY22. The vesting of those performance rights that achieve the performance hurdles will occur in equal tranches in September 2022, September 2023 and September 2024. The minimum vesting percentage is 0% if hurdles are not met.

Performance rights proposed to be awarded to the Group CEO have decreased 44% compared to the grant made in November 2018.

In determining its intended award of performance rights, the Board has considered the face value for each executive KMP. This assumes 100% vesting and therefore represents the maximum value. It does not take into account the risk of achieving the performance hurdles and that performance rights have no entitlement to distributions over the vesting period.

Executive	Year of grant	Performance rights proposed	GMG price \$	Face value of grant \$M
Gregory Goodman	FY20	900,000	15.03	13.5
	FY19	1,600,000	10.33	16.5
Danny Peeters	FY20	350,000	15.03	5.3
	FY19	550,000	10.33	5.7
Anthony Rozic	FY20	380,000	15.03	5.7
	FY19	600,000	10.33	6.2
Nick Kurtis	FY20	380,000	15.03	5.7
	FY19	600,000	10.36	6.2
Michael O'Sullivan	FY20	300,000	15.03	4.5
	FY19	400,000	10.36	4.1
Nick Vrondas	FY20	380,000	15.03	5.7
	FY19	600,000	10.36	6.2

The face values of grants have been determined using the Goodman security price at 30 June 2019 of \$15.03 (FY19 based on the security price at grant date).

For the Group, the maximum securities issuable under the proposed grants of performance rights to all employees, have decreased by 33% compared with the awards made during FY19. This primarily reflects the strong security price appreciation over the past 12 months.

Directors' report

Remuneration report – audited (continued)

4.10 STI outcomes

The Board has again determined that the Group CEO will not participate in the STI award, despite the significant outperformance of the Group compared to its benchmarks and peer groups. In line with continued focus on sustained long-term performance, all performance based remuneration relating to the Group CEO's FY19 performance will be awarded in the form of LTI. The other executive KMP STI outcomes are up slightly on FY18, reflecting the exceptional performance across the Group. These on average reflect 89% of maximum possible STI and are individually detailed below.

Test	Metrics	Result
Gate 1: Behaviour	Code of Conduct: Pass/ Fail	Pass
Gate 2: Operating EPS – FY19 Operating EPS versus target	Operating EPS growth: target 7% (50 cents)	10.5% Operating EPS growth (51.6 cents)

Executive	Year	STI maximum	Actual STI awarded	Cash component	Deferred component	STI as a % of maximum
		A\$M	A\$M	A\$M	A\$M	%
Gregory Goodman	FY19	2.10	–	–	–	–
	FY18	2.10	–	–	–	–
Nick Kurtis	FY19	1.05	1.00	0.50	0.50	95
	FY18	1.05	0.80	0.40	0.40	76
Michael O'Sullivan	FY19	0.75	0.65	0.32	0.33	87
	FY18	0.75	0.55	0.27	0.28	73
Nick Vrondas	FY19	1.05	0.95	0.47	0.48	90
	FY18	1.05	0.80	0.40	0.40	76
		€M	€M	€M	€M	
Danny Peeters	FY19	0.88	0.70	0.35	0.35	80
	FY18	0.86	0.60	0.30	0.30	70
		US\$M	US\$M	US\$M	US\$M	
Anthony Rozic	FY19	1.05	1.00	0.50	0.50	95
	FY18	0.81	0.62	0.31	0.31	76

With effect from 1 January 2019, the Board and Remuneration Committee determined that Anthony Rozic's fixed remuneration be benchmarked to the US market and paid in US\$ to reflect his responsibilities as CEO, North America. His STI outcome for FY19 has been based off his new fixed remuneration which is now US\$700,000.

4.11 Historical LTI grant outcomes

Performance rights are granted on an annual basis, are tested over three years and vest in three equal tranches shortly after the third, fourth and fifth anniversary of the grant. Testing as at 30 June 2019 was completed for the grants of performance rights made to executive KMP in FY17 (these awards were in respect of executive KMP performance in FY16). The FY17 grants had two hurdles: Operating EPS and a relative TSR, both measured over the three years ended 30 June 2019.

The mechanics of the testing are detailed in section 6.2. The first tranche of the FY17 grants will vest in September 2019, the second tranche will vest in September 2020 and the third tranche in September 2021.

Operating EPS hurdle (75% weighting)

The Operating EPS is calculated by dividing operating profit by the weighted average number of securities on issue adjusted to include all performance rights which have passed the testing criteria, even though they are not yet vested (issued) to account for potential EPS dilution. Operating EPS growth for the three year period to 30 June 2019 (allowing for dilution of all securities issued during the period and securities tested but not vested) was 28.7%. This compared to a cumulative three year hurdle of 20.2%.

	Target	Actual	Out-performance	Outcome
FY17	42.5 cents	43.1 cents	0.6 cents	Pass
FY18	45.7 cents	46.7 cents	1.0 cent	Pass
FY19	50.0 cents	51.6 cents	1.6 cents	Pass
Cumulative	20.2% implied Operating EPS growth	28.7% Operating EPS growth	3.2 cents	100%

As a result of achieving the Operating EPS hurdle, a total of 14,338,500 performance rights will vest in September 2019, September 2020 and September 2021.

Relative TSR (25% weighting)

TSR provides an effective check against increasing risk practices within the Group, as the price to earnings multiple will reflect the perceived risk in the Group.

Relative TSR is measured against the S&P/ASX 100 peer group. Vesting applies a sliding scale:

- + 0% vests up to and including the 50th percentile; and
- + vesting of 50% starts at the 51st percentile on a sliding scale with 100% vesting at the 76th percentile.

Goodman posted a three year TSR of 123.2% to 30 June 2019, compared with the S&P/ASX100 Index performance of 44.7%. The ranked Goodman in the 94th percentile and consequently 100% of these performance rights vested.

	GMG TSR ¹	S&P/ASX 100 ¹ TSR	Percentile	Outcome
FY16 LTIP grant – TSR hurdle	123.2%	44.7%	94th	100%

1. Testing period for grant 1 July 2016 to 30 June 2019

As a result of achieving the relative TSR hurdle, a total of 4,779,500 performance rights will vest in September 2019, September 2020 and September 2021.

Directors' report

Remuneration report – audited (continued)

5. GROUP CEO REMUNERATION OUTCOMES

5.1 Group CEO – vested outcomes

The table below details the vested remuneration over the past five years for the Group CEO. The numbers in this table differ from the statutory disclosure in section 7 primarily due to the differences in the measurement and timing of recognition in respect of performance rights issued under the LTIP. The below figures show the base salary received by the Group CEO in the respective year plus the value of performance rights which vested during that year at the closing price on the day the performance rights vested.

The table highlights:

- + no change in fixed remuneration over the period;
- + the proportion of remuneration from fixed (cash) salary has continued to decline; and
- + significant growth in value of LTI from grant date to the vesting date due to the increase in security price (average 86% for grants vesting in FY19).

	FY14	FY15	FY16	FY17	FY18	FY19
	\$M	\$M	\$M	\$M	\$M	\$M
Base salary	1.4	1.4	1.4	1.4	1.4	1.4
STI	2.4	2.2	0.0	0.0	0.0	0.0
Value of LTI on grant date ¹	1.7	2.6	3.1	3.8	4.7	7.3
Value of LTI on vesting	2.3	4.6	5.2	7.0	8.8	13.5
Total remuneration based on LTI value at grant date ¹	5.5	6.2	4.5	5.2	6.1	8.7
Total vested remuneration based on LTI value at vesting date	6.1	8.2	6.6	8.4	10.2	14.9
Increase in LTI value due to security price performance of the Group	0.6	2.0	2.1	3.2	4.1	6.3
Percentage growth in value of LTI during vesting period	37%	74%	66%	84%	88%	86%

1. Value based on the security prices at the grant dates for the performance rights that vested in the financial year.

This remuneration disclosure indicates available remuneration resulting from the performance over the past three to five years. Grant vesting outcomes have increased significantly compared to the initial grant value, due to strong consistent earnings growth and significant security price outperformance of the Group.

The chart below illustrates the proportions of vesting outcomes due to grant value and value added since grant date:

Group CEO FY19 vested performance rights

Value at grant date (\$M) Value at vesting date (\$M)



6. ADDITIONAL STRUCTURE DETAIL

6.1 STI parameters

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

Questions

Who is eligible to participate in the STI?	All full-time and part-time permanent employees. The Group CEO agreed with the Board not to participate in the STI awards, to emphasise reward for long-term decision making across the organisation.
What is the form of the STI award?	For executive KMP, 50% of the STI award is paid in cash on finalisation of Goodman's full year result. 50% of the STI award is deferred and paid in cash after a period of 12 months and the deferred STI amount is subject to forfeiture under malus provisions (see below).
What is the maximum award participants may earn?	STI awards are capped at 150% of fixed remuneration for executive KMP. Target STI for individuals is also compared to market-based remuneration data and their manager's own assessment of what an appropriate level of incentive compensation may be.
How is the STI earned?	The Board sets budget targets for the business annually. These targets are set relative to the market conditions, earnings visibility, financial structure and strategy and are challenging and appropriate. Targets will vary over time, through cycle and strategy, to ensure they remain contemporary. STI for all staff is subject to: (1) meeting behavioural expectations under the Group Code of Conduct; and (2) achieving Operating EPS(based on the annual forecast for the relevant year. Securityholder returns are prioritised.
How is the individual STI award determined?	STI rewards performance against objectives of the individual and the Group. The Group objectives include multiple factors as set from time to time, dependent on the market and strategy of the Group. These primarily fall into five groups: + property investment; + development; + management; + capital management; and + corporate and social responsibility. Adherence to the Group's core values is a minimum hurdle for the STI to vest. The performance of individuals is assessed through a detailed and formal performance appraisal process based on contribution to defined objectives, behavioural expectations, annual contribution to results as well as strategic and other contributions where these results or benefits may be reflected in future years
Is there malus/ clawback?	The executive KMP's STI awards are subject to 50% deferral for 12 months from the date of publication of Goodman's financial statements. This deferral period provides protection from malus. The Board has discretion to forfeit deferred amounts for material misstatement, fraud or adverse changes that would have affected the award where there is executive responsibility. For all employees, the STI award is subject to immediate forfeiture in circumstances where employees are dismissed for cause without notice (e.g. fraud or serious misconduct). LTI will also be forfeited where employees cease to be employed unless special circumstances exist.

Directors' report

Remuneration report – audited (continued)

6.2 LTI parameters

The LTIP is an at-risk equity plan that is open to all permanent employees to create alignment with the interests of Securityholders over the long term.

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

Questions (in relation to all grants including FY20)

Who is eligible to participate?	All full-time and part-time permanent employees are eligible to participate in the LTIP.
What is the form of the award?	The LTIP awards performance rights.
What is the maximum LTI participants may earn?	When considering the overall size of LTI awards, the Board also considers the number of securities that could vest and the associated impact on the Operating EPS growth. Performance rights issued under the LTIP are capped at 5% of issued capital with vesting of approximately 1% per annum, assuming all hurdles are met and all employees remain employed. The Board considers the performance of the Group in comparison with the comparator group, the amount of overall operating profit, the competitive nature of the global labour markets where we operate and the value of the team in the local and global market place, as appropriate.
How is the number of rights determined?	The number of rights is determined by dividing the LTI award amount by the face value of the Goodman security price at the time of allocation. The performance rights do not receive distributions or have any right to income or assets until vesting.
What are the performance measures?	Behaviour in accordance with core values is an absolute requirement and a minimum hurdle for any LTI awards to vest as continued employment is a pre-condition. The Board believes that the commercial decisions Goodman makes in fulfilment of its overall financial objectives are best reflected in two key indicators: Operating EPS and relative TSR. Operating EPS is a critical measure of long-term global performance (see section 3.2). The hurdles are set to be competitive and challenging relative to external and internal historical and prospective reference points (see section 1.2). TSR provides an effective check against increasing risk practices within the Group i.e. the security price to earnings multiple will reflect the perceived risk in the Group in achieving Operating EPS targets. Focus on LTI is an efficient way of rewarding sustained performance and retaining talent.
What is the weighting?	75% Operating EPS hurdle 25% relative TSR hurdle
What is the performance period?	Both Operating EPS and relative TSR performance is tested over three financial years starting from 1 July each year. Operating EPS growth is assessed in the third year.
How do the LTIP awards vest?	Subject to meeting performance hurdles, vesting occurs in equal tranches shortly after the end of years three, four and five, provided participants remain employed by the Group.
Is there malus/clawback?	Subject to immediate forfeiture in circumstances where employees are dismissed for cause without notice (e.g. fraud or serious misconduct). LTI will also be forfeited where employees cease to be employed unless special circumstances exist.

Questions (in relation to all grants including FY20)

What rights are attached to the performance rights?	Performance rights have no Securityholder rights prior to vesting (e.g. distributions, voting, rights issue participation).
What happens to LTIP upon termination?	Performance rights lapse upon leaving Goodman except in special circumstances (e.g. ill health, death, retirement or redundancy).

Questions specific to the intended FY20 grant

What are the vesting conditions for FY20 grants?	<p>Operating EPS tested (75% of grant)</p> <p>The Board has set an Operating EPS performance hurdle of growing Operating EPS from the FY19 result of 51.6 cents to between 61.4 cents (Threshold level) and 66.8 cents (Upper level) in FY22. 25% satisfy testing conditions at the Threshold level with a sliding scale up to 100% at the Upper level. The range is equivalent to between 6% and 9% CAGR in Operating EPS or approximately 19% to 30% over the three year testing period. The Operating EPS performance hurdle range will be set with each new grant at the time of grant.</p>	<p>Relative TSR tested (75% of grant)</p> <p>TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period:</p> <ul style="list-style-type: none"> + 50% of awards vest for performance at the 51st percentile; + 100% of awards vest for performance at the 76th percentile or above; and + awards vest on a sliding scale between 50% and 100% for performance between the 51st and the 76th percentile.
Can the hurdles be adjusted?	No	No

Questions specific to outstanding historic grants (FY15-FY19)

What are the vesting conditions for prior grants (FY15-FY19) currently outstanding?	<p>Operating EPS tested (75% of grant)</p> <p>Operating EPS awards are subject to achievement of a cumulative Operating EPS hurdle, which is the combination of three years' individual Operating EPS hurdles. This ensures that the appropriate balance between short and long-term challenges is incorporated. With the vast majority of remuneration through LTI, the focus remains on sustainable performance. Targets are disclosed to the market each year and are equal to the forecast Operating EPS. For FY20, this is 56.3 cents.</p>	<p>RTSR tested (75% of grant)</p> <p>TSR awards are subject to achievement of cumulative TSR relative to the S&P/ASX 100 over a three year period:</p> <ul style="list-style-type: none"> + 50% of awards vest for performance at 51st percentile; + 100% of awards vest for performance at 76th percentile or above; and + awards vest on a sliding scale between 50% and 100% for performance between the 51st and 76th percentile.
---	--	---

Directors' report

Remuneration report – audited (continued)

7. EXECUTIVE KMP REMUNERATION (STATUTORY ANALYSIS)

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

Executive KMP		Salary and fees ¹ \$	Bonus (STI) ² \$	Other ³ \$	Total \$
Gregory Goodman	FY19	1,385,230	–	17,437	1,402,667
	FY18	1,397,236	–	16,810	1,414,046
Nick Kurtis	FY19	690,979	–	18,010	708,989
	FY18	671,309	–	18,010	689,319
Michael O'Sullivan	FY19	473,295	–	16,500	489,795
	FY18	473,778	–	16,500	490,278
Nick Vrondas	FY19	685,195	–	16,500	701,695
	FY18	671,309	–	16,500	687,809
		€	€	€	€
Danny Peeters ⁵	FY19	584,009	–	–	584,009
	FY18	572,947	–	–	572,947
		US\$	US\$	US\$	US\$
Anthony Rozic ⁶	FY19	691,821	–	12,880	704,701
	FY18	536,060	–	13,962	550,022

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

Long-term		Share based payments			Performance related		
Superannuation benefits	Bonus (STI) ²	Other ³	Performance rights (LTI) ⁴	Total	STI and LTI as % of total	LTI as % of total	
\$	\$	\$	\$	\$	%	%	
20,532	–	24,773	11,352,787	12,800,759	88.7%	88.7%	
20,049	–	24,773	9,262,334	10,721,202	86.4%	86.4%	
20,532	1,000,000	12,380	3,909,037	5,650,938	86.9%	69.2%	
20,049	800,000	12,380	3,206,721	4,728,469	84.7%	67.8%	
20,532	650,000	3,190	2,487,470	3,650,987	85.9%	68.1%	
20,049	550,000	9,318	1,989,621	3,059,266	83.0%	65.0%	
20,532	950,000	12,387	3,964,207	5,648,821	87.0%	70.2%	
20,049	800,000	12,387	3,231,772	4,752,017	84.8%	68.0%	
€	€	€	€	€			
–	700,000	–	2,172,415	3,456,424	83.1%	62.9%	
–	600,000	–	1,773,396	2,946,343	80.6%	60.2%	
US\$	US\$	US\$	US\$	US\$			
14,683	1,000,000	65,786	2,803,908	4,589,078	82.9%	61.1%	
15,543	620,194	9,603	2,443,410	3,638,771	84.2%	67.1%	

1. Salary and fees represent the amounts due under the terms of executives' service contracts and include movements in annual leave provisions.

2. Executives' bonus awards are paid in two instalments: 50% on finalisation of Goodman's financial statements and 50% 12 months later. Under Australian Accounting Standards, this means the entire bonus award is considered as a long-term benefit with regard to the disclosure of individual executive's remuneration. No bonuses were forfeited during the financial year.

3. Other includes reportable fringe benefits, car parking and changes in long service leave provisions.

4. Performance rights are an LTI and in accordance with Australian Accounting Standards, the values of the awards are determined using option pricing models and amortised in the consolidated income statement over the vesting periods.

5. The remuneration of Danny Peeters is disclosed in Euros, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.

6. With effect from 1 January 2019, the Board determined Anthony Rozic's base remuneration and STI in US dollars to reflect his responsibilities as CEO, North America. Accordingly, his remuneration has been disclosed in US dollars, with any remuneration prior to 1 January 2019 (including remuneration for the comparative financial year) and the value attributed to performance rights translated from Australian dollars at the weighted average rate for the relevant financial year.

Directors' report

Remuneration report – audited (continued)

8. NON-EXECUTIVE DIRECTOR REMUNERATION

8.1 Key elements of the Non-Executive Director remuneration policy

- + The policy is structured to ensure independence of judgement in the performance of their duties.
 - + Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees.
-
- + The fees take into account the size and scope of Goodman's activities and the responsibilities and experience of the Directors. Periodically, these fees are benchmarked against data for comparable entities provided by external advisers.
 - + As approved by Securityholders at the 2006 Annual General Meeting, total remuneration (including superannuation) payable by Goodman to all Non-Executive Directors in aggregate must not exceed \$2.5 million per annum. For the current financial year, total Non-Executive Directors' remuneration was \$2.1 million (2018: \$2.2 million).
-
- + The decrease in Non-Executive Director fees compared to the prior financial year was due to the change in composition of the Board, partly offset by the full year impact of the increase in Board fees (excluding Board committee fees) that occurred from 1 January 2018.
 - + Non-Executive Directors are not entitled to participate in any STI or LTI schemes as they may be perceived to create a bias when overseeing executive decision making.
-
- + The Board has a policy, set out in the Directors' Securities Acquisition Plan, for Non-Executive Directors to accumulate a significant long-term holding of Goodman securities so that they have an alignment of interests with those of Securityholders. Under the policy, each Non-Executive Director is required to acquire securities such that their holding is equal in value to twice their annual base fees. The value of securities for this purpose equals the higher of purchase cost or market value at the end of each financial year. This holding may be acquired at any time but where not held at the beginning of a financial year, the policy is for 25% of base fees (net of tax) during the financial year to be applied to the on-market purchase of securities.

8.2 Board and committee annual fees

	Board	Audit Committee	Risk and Compliance Committee	Remuneration and Nomination Committee
	\$	\$	\$	\$
Chairman	625,000	50,000	40,000	40,000
Member	230,000	25,000	25,000	25,000

8.3 Non-Executive Directors' remuneration (statutory analysis)

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

Non-Executive Directors – GL and GFML		Salary and fees \$	Superannuation benefits \$	Total \$
Ian Ferrier ¹	FY19	604,469	20,531	625,000
	FY18	572,951	20,049	593,000
Christopher Green ²	FY19	43,155	3,080	46,235
	FY18	–	–	–
Stephen Johns	FY19	284,469	20,531	305,000
	FY18	251,564	18,874	270,438
Rebecca McGrath	FY19	274,469	20,531	295,000
	FY18	259,451	20,049	279,500
Phillip Pryke ³	FY19	358,853	20,531	379,384
	FY18	348,890	20,049	368,939
Jim Sloman ⁴	FY19	97,301	8,555	105,856
	FY18	244,451	20,049	264,500
Penny Winn ⁵	FY19	259,469	20,531	280,000
	FY18	108,312	8,354	116,666
Non-Executive Director – GLHK		HK\$	HK\$	HK\$
David Collins ⁶	FY19	625,000	–	625,000
	FY18	260,417	–	260,417

1. Ian Ferrier does not receive any additional board committee fees.

2. Chris Green was appointed as a Director on 28 April 2019.

3. Salary and fees for Phillip Pryke included an amount of A\$84,388 (NZ\$90,000) (2018: A\$89,439 (NZ\$97,050)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.

4. Jim Sloman retired as a Director on 15 November 2018.

5. Penny Winn was appointed as a Director on 1 February 2018.

6. David Collins is a Director of GLHK and was appointed on 1 February 2018. His director fees are disclosed in Hong Kong dollars.

Directors' report

Remuneration report – audited (continued)

9. OTHER REMUNERATION DISCLOSURES

9.1 Movements in performance rights held by executive KMP

The movements in the number of performance rights during FY19 are summarised as follows:

Executive Directors	Year	Held at the start of the year	Granted as compensation	Vested	Forfeited	Held at the end of the year
Gregory Goodman	FY19	6,962,073	1,600,000	(1,280,248)	(49,998)	7,231,827
	FY18	6,301,370	1,600,000	(939,297)	–	6,962,073
Danny Peeters	FY19	2,064,458	550,000	(444,795)	(11,250)	2,158,413
	FY18	1,967,528	550,000	(453,070)	–	2,064,458
Anthony Rozic	FY19	2,394,624	600,000	(508,628)	(15,000)	2,470,996
	FY18	2,262,777	600,000	(468,153)	–	2,394,624
Other executives						
Nick Kurtis	FY19	2,544,623	600,000	(557,378)	(18,750)	2,568,495
	FY18	2,412,777	600,000	(468,154)	–	2,544,623
Michael O'Sullivan	FY19	1,568,509	400,000	(352,743)	(8,748)	1,607,018
	FY18	1,505,802	390,000	(327,293)	–	1,568,509
Nick Vrondas	FY19	2,547,878	600,000	(525,716)	(18,750)	2,603,412
	FY18	2,362,295	600,000	(414,417)	–	2,547,878

This page has been left blank intentionally

Directors' report

Remuneration report – audited (continued)

9.2 Analysis of performance rights held by executive KMP

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

Executive	Number of performance rights granted	Date performance rights granted	Year	Fair value per performance right ¹ \$	Total value of performance rights granted ¹ \$
Gregory Goodman	1,600,000	15 Nov 2018	FY19	8.72	13,952,000
	1,600,000	16 Nov 2017	FY18	6.70	10,720,000
	2,400,000	30 Sep 2016	FY17	5.64	13,536,000
	2,000,000	25 Nov 2015	FY16	4.44	8,880,000
	995,476	20 Nov 2014	FY15	4.01	3,991,859
	947,368	22 Nov 2013	FY14	3.67	3,476,841
Danny Peeters	550,000	15 Nov 2018	FY19	8.72	4,796,000
	550,000	16 Nov 2017	FY18	6.70	3,685,000
	600,000	30 Sep 2016	FY17	5.64	3,384,000
	450,000	25 Nov 2015	FY16	4.44	1,998,000
	497,738	20 Nov 2014	FY15	4.01	1,995,929
	421,053	22 Nov 2013	FY14	3.67	1,545,265
Anthony Rozic	600,000	15 Nov 2018	FY19	8.72	5,232,000
	600,000	16 Nov 2017	FY18	6.70	4,020,000
	700,000	30 Sep 2016	FY17	5.64	3,948,000
	600,000	25 Nov 2015	FY16	4.44	2,664,000
	542,987	20 Nov 2014	FY15	4.01	2,177,378
	421,053	22 Nov 2013	FY14	3.67	1,545,265
Nick Kurtis	600,000	28 Sep 2018	FY19	8.52	5,112,000
	600,000	30 Sep 2017	FY18	6.41	3,846,000
	700,000	30 Sep 2016	FY17	5.64	3,948,000
	750,000	23 Sep 2015	FY16	4.06	3,045,000
	542,987	9 Oct 2014	FY15	4.05	2,199,097
	421,053	27 Sep 2013	FY14	3.66	1,541,054
Michael O'Sullivan	400,000	28 Sep 2018	FY19	8.52	3,408,000
	390,000	30 Sep 2017	FY18	6.41	2,499,900
	450,000	30 Sep 2016	FY17	5.64	2,538,000
	350,000	23 Sep 2015	FY16	4.06	1,421,000
	418,553	9 Oct 2014	FY15	4.05	1,695,140
	315,789	27 Sep 2013	FY14	3.66	1,155,788
Nick Vrondas	600,000	28 Sep 2018	FY19	8.52	5,112,000
	600,000	30 Sep 2017	FY18	6.41	3,846,000
	750,000	30 Sep 2016	FY17	5.64	4,230,000
	750,000	23 Sep 2015	FY16	4.06	3,045,000
	497,738	9 Oct 2014	FY15	4.05	2,015,839
	368,421	27 Sep 2013	FY14	3.66	1,348,421

1. The fair value was determined at grant date and calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the ASX 100 entities and discounted the future value of any potential future vesting performance rights to arrive at a present value.

2. As performance rights had an exercise price of \$nil, Goodman securities were automatically issued to employees when the performance rights vested. Accordingly, the percentage of performance rights that vested during the financial year equalled the percentage of securities issued during the financial year.

3. The value of performance rights vested was calculated using the closing price of a Goodman security on the ASX of \$10.56 on 3 September 2018, the day the performance rights vested.

4. As Goodman securities were automatically issued to employees when the performance rights vested, and lapsed where they failed to do so, the vesting date was also deemed to be the expiry date.

Vested in prior years	Vested in the year ²	Forfeited	Value of performance rights vested in the year ³	Financial years in which grant vests	Expiry date ⁴
%	%	\$	\$		
–	–	–	–	2022–2024	1 Sep 2023
–	–	–	–	2021–2023	1 Sep 2022
–	–	–	–	2020–2022	1 Sep 2021
–	32.5	2.5	6,864,021	2019–2021	1 Sep 2020
33.3	33.3	–	3,504,072	2018–2020	2 Sep 2019
63.0	31.5	5.5	3,151,326	2017–2019	3 Sep 2018
–	–	–	–	2022–2024	1 Sep 2023
–	–	–	–	2021–2023	1 Sep 2022
–	–	–	–	2020–2022	1 Sep 2021
–	32.5	2.5	1,544,400	2019–2021	1 Sep 2020
33.3	33.3	–	1,752,041	2018–2020	2 Sep 2019
63.0	31.5	5.5	1,400,594	2017–2019	3 Sep 2018
–	–	–	–	2022–2024	1 Sep 2023
–	–	–	–	2021–2023	1 Sep 2022
–	–	–	–	2020–2022	1 Sep 2021
–	32.5	2.5	2,059,200	2019–2021	1 Sep 2020
33.3	33.3	–	1,911,318	2018–2020	2 Sep 2019
63.0	31.5	5.5	1,400,594	2017–2019	3 Sep 2018
–	–	–	–	2022–2024	1 Sep 2023
–	–	–	–	2021–2023	1 Sep 2022
–	–	–	–	2020–2022	1 Sep 2021
–	32.5	2.5	2,574,000	2019–2021	1 Sep 2020
33.3	33.3	–	1,911,318	2018–2020	2 Sep 2019
63.0	31.5	5.5	1,400,594	2017–2019	3 Sep 2018
–	–	–	–	2022–2024	1 Sep 2023
–	–	–	–	2021–2023	1 Sep 2022
–	–	–	–	2020–2022	1 Sep 2021
–	32.5	2.5	1,201,211	2019–2021	1 Sep 2020
33.3	33.3	–	1,473,310	2018–2020	2 Sep 2019
63.0	31.5	5.5	1,050,445	2017–2019	3 Sep 2018
–	–	–	–	2022–2024	1 Sep 2023
–	–	–	–	2021–2023	1 Sep 2022
–	–	–	–	2020–2022	1 Sep 2021
–	32.5	2.5	2,574,000	2019–2021	1 Sep 2020
33.3	33.3	–	1,752,041	2018–2020	2 Sep 2019
63.0	31.5	5.5	1,225,520	2017–2019	3 Sep 2018

Directors' report

Remuneration report – audited (continued)

9.3 Securities issued on exercise of performance rights

During the financial year, Goodman issued 13,118,118 securities as a result of the vesting of performance rights. The amount paid by the employees on exercise of these securities was \$nil.

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

9.4 Unissued securities under performance rights

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

Expiry date	Exercise price \$	Number of performance rights ¹
Sep 2023	–	17,447,138
Sep 2022	–	16,026,173
Sep 2021	–	19,118,000
Sep 2020	–	10,715,420
Sep 2019	–	4,143,281

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited and excludes 11,612,151 performance rights where the intention is to cash settle.

All performance rights expire on the earliest of: (1) their expiry date; (2) the day that vesting conditions become incapable of satisfaction or are determined by the Board to not be satisfied; or (3) following the termination of the employee's employment (other than in the event of special circumstances).

Hedging of unvested performance rights

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

9.5 Movement in Goodman securities held

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

	Year	Held at the start of the year ¹	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year ²
Non-Executive Directors – GL and GFML						
Ian Ferrier	2019	195,974	–	6,948	–	202,922
	2018	186,982	–	8,992	–	195,974
Christopher Green (appointed 28 Apr 2019)	2019	78,996	–	–	–	78,996
	2018	–	–	–	–	–
Stephen Johns	2019	15,000	–	10,000	–	25,000
	2018	15,000	–	–	–	15,000
Rebecca McGrath	2019	36,191	–	3,349	–	39,540
	2018	31,821	–	4,370	–	36,191
Phillip Pryke	2019	100,880	–	–	–	100,880
	2018	114,232	–	–	(13,352)	100,880
Jim Sloman (retired 15 Nov 2018)	2019	97,393	–	1,491	–	98,884
	2018	93,273	–	4,120	–	97,393
Penny Winn	2019	24,700	–	–	–	24,700
	2018	–	–	24,700	–	24,700
Non-Executive Director – GLHK						
David Collins	2019	–	–	5,000	–	5,000
	2018	–	–	–	–	–
Executive Directors – GL and GFML						
Gregory Goodman	2019	38,122,472	1,280,248	–	(1,300,000)	38,102,720
	2018	37,983,175	939,297	–	(800,000)	38,122,472
Danny Peeters	2019	1,796,560	444,795	–	(650,000)	1,591,355
	2018	1,843,520	453,070	–	(500,030)	1,796,560
Anthony Rozic	2019	1,109,460	508,628	–	(508,628)	1,109,460
	2018	941,307	468,153	–	(300,000)	1,109,460
Other executives						
Nick Kurtis	2019	660,352	557,378	–	(810,590)	407,140
	2018	705,789	468,154	–	(513,591)	660,352
Michael O'Sullivan	2019	764,967	352,743	–	(652,743)	464,967
	2018	437,674	327,293	–	–	764,967
Nick Vrondas	2019	404,417	525,716	–	(930,133)	–
	2018	330,000	414,417	–	(340,000)	404,417

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

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

Directors' report

Remuneration report – audited (continued)

9.6 Movement in Goodman Property Trust securities

Throughout the year, Michael O'Sullivan held 349,650 units in Goodman Property Trust (GMT). GMT is listed on the New Zealand Exchange and Goodman owned 21.6% of the issued units at 30 June 2019.

9.7 Transactions with Directors, executives and their related entities

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

Directors' report (continued)

Environmental regulations

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

Declaration by the Group Chief Executive Officer and Group Chief Financial Officer

The Group Chief Executive Officer and Group Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of Goodman for the year ended 30 June 2019 have been properly maintained and the financial report for the year ended 30 June 2019 complies with accounting standards and presents a true and fair view of Goodman's financial condition and operational results. The Group Chief Executive Officer and Group Chief Financial Officer confirmed that the above declaration was, to the best of their knowledge and belief, founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects in relation to the financial reporting risks.

Disclosure in respect of any indemnification and insurance of officers and auditors

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

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

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

Non-audit services

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

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

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

Details of the amounts paid to the auditor of Goodman and GIT, KPMG and its network firms, for the audit and non-audit services provided during the financial year are set out in note 23 to the consolidated financial statements.

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

The lead auditor's independence declaration is set out on page 87 and forms part of this Directors' report for the financial year.

Directors' report

(continued)

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 and the consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman, the results of those operations, or the state of affairs of Goodman, in future financial years.



Ian Ferrier AM

Independent Chairman



Gregory Goodman

Group Chief Executive Officer

Sydney, 23 August 2019

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



To: The directors of Goodman Limited and of Goodman Funds Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019, there have been:

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

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Eileen Hoggett, written in black ink.

Eileen Hoggett
Partner

Sydney, 23 August 2019

Consolidated statements of financial position

As at 30 June 2019

	Note	Goodman		GIT	
		2019 \$M	2018 Restated ¹ \$M	2019 \$M	2018 Restated ¹ \$M
Current assets					
Cash and cash equivalents	18(a)	1,607.1	2,406.8	1,214.4	2,129.7
Receivables	7	237.6	464.6	1,838.5	2,109.0
Contract assets	8	308.1	145.4	–	–
Inventories	6(b)	307.9	520.5	–	–
Other financial assets	14	1.3	1.6	1.3	1.6
Other assets		12.0	17.1	3.3	5.0
Total current assets		2,474.0	3,556.0	3,057.5	4,245.3
Non-current assets					
Receivables	7	118.8	71.9	1,431.3	1,060.9
Inventories	6(b)	761.1	437.5	6.5	37.5
Investment properties	6(b)	1,897.1	1,774.6	1,158.6	1,222.4
Investments accounted for using the equity method	6(b)	8,452.4	6,585.5	6,401.0	5,021.9
Deferred tax assets	5	6.8	6.0	–	–
Other financial assets	14	340.4	187.8	399.0	220.6
Intangible assets	11	840.0	816.7	–	–
Other assets		22.2	23.4	–	–
Total non-current assets		12,438.8	9,903.4	9,396.4	7,563.3
Total assets		14,912.8	13,459.4	12,453.9	11,808.6
Current liabilities					
Payables	9	453.3	399.8	707.6	542.9
Contract liabilities	8	6.0	22.7	–	–
Current tax payables	5	92.6	59.2	–	–
Interest bearing liabilities	13	–	222.9	–	215.9
Provisions	10	285.0	270.5	181.4	166.6
Other financial liabilities	14	12.1	54.5	12.1	54.5
Total current liabilities		849.0	1,029.6	901.1	979.9

	Note	Goodman		GIT	
		2019 \$M	2018 Restated ¹ \$M	2019 \$M	2018 Restated ¹ \$M
Non-current liabilities					
Payables	9	169.5	187.4	152.3	465.4
Contract liabilities	8	3.0	3.7	–	–
Interest bearing liabilities	13	2,975.0	2,858.6	2,864.3	2,749.0
Deferred tax liabilities	5	130.1	77.7	62.8	43.2
Provisions	10	27.3	34.3	–	–
Other financial liabilities	14	236.4	94.4	229.7	94.4
Total non-current liabilities		3,541.3	3,256.1	3,309.1	3,352.0
Total liabilities		4,390.3	4,285.7	4,210.2	4,331.9
Net assets		10,522.5	9,173.7	8,243.7	7,476.7
Equity attributable to Securityholders					
Issued capital	17	8,031.7	8,031.7	7,477.3	7,381.3
Reserves		397.5	185.0	97.9	(16.9)
Retained earnings		2,093.3	957.0	668.5	112.3
Total equity attributable to Securityholders		10,522.5	9,173.7	8,243.7	7,476.7
Comprising:					
Total equity attributable to GL	19(a)	936.2	582.5		
Total equity attributable to other entities stapled to GL	19(b)	9,586.3	8,591.2		
Total equity attributable to Securityholders		10,522.5	9,173.7	8,243.7	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 statements of financial position are to be read in conjunction with the accompanying notes

Consolidated income statements

for the year ended 30 June 2019

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Revenue					
Gross property income	2	114.6	150.4	80.2	82.4
Management income	2	469.7	316.5	–	–
Development income	2	1,134.3	1,115.8	31.5	34.1
Distributions from investments		–	–	2.9	7.4
		1,718.6	1,582.7	114.6	123.9
Property and development expenses					
Property expenses		(40.2)	(36.4)	(28.4)	(26.7)
Development expenses	2	(727.3)	(808.9)	(31.5)	(27.4)
		(767.5)	(845.3)	(59.9)	(54.1)
Other income					
Net gain from fair value adjustments on investment properties	6(e)	146.8	71.1	142.3	56.0
Net gain on disposal of investment properties		15.3	67.4	8.0	10.3
Share of net results of equity accounted investments	6(f)	1,132.5	910.9	816.6	733.7
Net gain on disposal of equity investments	2	12.6	40.7	4.9	39.3
Other income		–	–	–	0.6
		1,307.2	1,090.1	971.8	839.9
Other expenses					
Employee expenses	2	(191.9)	(180.7)	–	–
Share based payments expense	2	(196.6)	(125.6)	–	–
Administrative and other expenses		(75.8)	(68.7)	(51.7)	(46.6)
		(464.3)	(375.0)	(51.7)	(46.6)
Profit before interest and tax		1,794.0	1,452.5	974.8	863.1
Net finance income/(expense)					
Finance income	12	46.2	35.3	167.4	174.4
Finance expense	12	(95.5)	(302.6)	(114.1)	(292.8)
Net finance (expense)/income		(49.3)	(267.3)	53.3	(118.4)
Profit before income tax		1,744.7	1,185.2	1,028.1	744.7
Income tax expense	5	(116.8)	(82.4)	(18.4)	(28.8)
Profit for the year		1,627.9	1,102.8	1,009.7	715.9
Profit attributable to GL	19(a)	242.8	182.5		
Profit attributable to other entities stapled to GL	19(b)	1,385.1	915.7		
Profit attributable to Securityholders		1,627.9	1,098.2	1,009.7	711.3
Profit attributable to other non-controlling interests		–	4.6	–	4.6
Profit for the year		1,627.9	1,102.8	1,009.7	715.9
Basic profit per security (¢)	3(a)	89.9	61.1		
Diluted profit per security (¢)	3(a)	87.3	59.4		

The consolidated income statements are to be read in conjunction with the accompanying notes.

Consolidated statements of comprehensive income

for the year ended 30 June 2019

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Profit for the year		1,627.9	1,102.8	1,009.7	715.9
Other comprehensive income/(loss) for the year					
Items that will not be reclassified to profit or loss					
Actuarial gains on defined benefit superannuation funds		3.2	6.9	–	–
Effect of foreign currency translation		(0.4)	(1.6)	–	–
		2.8	5.3	–	–
Items that are or may be reclassified subsequently to profit or loss					
(Decrease)/increase due to revaluation of other financial assets		–	(0.4)	1.8	(2.5)
Cash flow hedges:					
– Change in value of financial instruments		(4.9)	3.0	(4.9)	3.0
Effect of foreign currency translation		169.6	194.2	87.5	37.7
		164.7	196.8	84.4	38.2
Other comprehensive income for the year, net of income tax		167.5	202.1	84.4	38.2
Total comprehensive income for the year		1,795.4	1,304.9	1,094.1	754.1
Total comprehensive income attributable to GL	19(a)	293.7	164.9		
Total comprehensive income attributable to other entities stapled to GL	19(b)	1,501.7	1,135.4		
Total comprehensive income attributable to Securityholders		1,795.4	1,300.3	1,094.1	749.5
Total comprehensive income attributable to other non-controlling interests		–	4.6	–	4.6
Total comprehensive income for the year		1,795.4	1,304.9	1,094.1	754.1

The consolidated statements of comprehensive income are to be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the year ended 30 June 2019

Goodman	Note	Attributable to Securityholders										Total equity	
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	Retained earnings	Total	Other non-controlling interests		
		\$M	\$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 year													
Profit for the year		-	-	-	-	-	-	-	1,098.2	1,098.2	4.6	1,102.8	
Other comprehensive (loss)/income									-				
Effect of foreign currency translation		-	(0.4)	(0.1)	194.7	-	(1.6)	192.6	-	192.6	-	192.6	
Cash flow hedges:													
- Change in value of financial instruments		-	-	3.0	-	-	-	3.0	-	3.0	-	3.0	
Decrease due to revaluation of other financial assets		-	(0.4)	-	-	-	-	(0.4)	-	(0.4)	-	(0.4)	
Actuarial gains on defined benefit superannuation funds		-	-	-	-	-	6.9	6.9	-	6.9	-	6.9	
Total other comprehensive (loss)/income for the year, net of income tax		-	(0.8)	2.9	194.7	-	5.3	202.1	-	202.1	-	202.1	
Total comprehensive (loss)/income for the year, net of income tax		-	(0.8)	2.9	194.7	-	5.3	202.1	1,098.2	1,300.3	4.6	1,304.9	
Transfers		-	-	-	-	(42.8)	-	(42.8)	41.6	(1.2)	1.2	-	
Contributions by and distributions to owners													
Distributions on stapled securities	16	-	-	-	-	-	-	-	(504.2)	(504.2)	-	(504.2)	
Distributions on Goodman PLUS		-	-	-	-	-	-	-	-	-	(4.6)	(4.6)	
Equity settled share based payments expense		-	-	-	-	82.4	-	82.4	-	82.4	-	82.4	
Repurchase of Goodman PLUS		-	-	-	-	-	-	-	-	-	(327.0)	(327.0)	
Balance at 30 June 2018		8,031.7	(6.9)	1.5	45.3	171.2	(26.1)	185.0	957.0	9,173.7	-	9,173.7	

		Attributable to Securityholders										
Goodman		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	Retained earnings	Total	Other non-controlling interests	Total equity
	Note	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Total comprehensive (loss)/income for the year												
Profit for the year		-	-	-	-	-	-	-	1,627.9	1,627.9	-	1,627.9
Other comprehensive (loss)/income								-				
Effect of foreign currency translation		-	(0.2)	0.1	169.7	-	(0.4)	169.2	-	169.2	-	169.2
Cash flow hedges:								-				
– Change in value of financial instruments		-	-	(4.9)	-	-	-	(4.9)	-	(4.9)	-	(4.9)
Actuarial gains on defined benefit superannuation funds		-	-	-	-	-	3.2	3.2	-	3.2	-	3.2
Total other comprehensive (loss)/income for the year, net of income tax		-	(0.2)	(4.8)	169.7	-	2.8	167.5	-	167.5	-	167.5
Total comprehensive (loss)/income for the year, net of income tax		-	(0.2)	(4.8)	169.7	-	2.8	167.5	1,627.9	1,795.4	-	1,795.4
Transfers		-	-	-	-	(52.6)	-	(52.6)	52.6	-	-	-
Contributions by and distributions to owners												
Dividends/distributions on stapled securities	16	-	-	-	-	-	-	-	(544.2)	(544.2)	-	(544.2)
Equity settled share based payments expense		-	-	-	-	97.6	-	97.6	-	97.6	-	97.6
Balance at 30 June 2019		8,031.7	(7.1)	(3.3)	215.0	216.2	(23.3)	397.5	2,093.3	10,522.5	-	10,522.5

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to non-controlling interests, refer to note 19(b).

Consolidated statements of changes in equity

for the year ended 30 June 2019 (continued)

GIT	Note	Attributable to Unitholders									
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	(Accumulated losses)/retained earnings	Total	Other non-controlling interests	Total equity
		\$M	\$M	\$M	\$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 for the year											
Profit for the year		-	-	-	-	-	-	711.3	711.3	4.6	715.9
Other comprehensive income											
Effect of foreign currency translation		-	0.7	-	37.0	-	37.7	-	37.7	-	37.7
Cash flow hedges:											
- Change in value of financial instruments		-	-	3.0	-	-	3.0	-	3.0	-	3.0
Increase due to revaluation of other financial assets		-	(2.5)	-	-	-	(2.5)	-	(2.5)	-	(2.5)
Total other comprehensive (loss)/income for the year, net of income tax		-	(1.8)	3.0	37.0	-	38.2	-	38.2	-	38.2
Total comprehensive (loss)/income for the year, net of income tax		-	(1.8)	3.0	37.0	-	38.2	711.3	749.5	4.6	754.1
Transfers		-	-	-	-	-	-	(1.2)	(1.2)	1.2	-
Contributions by and distributions to owners											
Distributions declared on ordinary units	16	-	-	-	-	-	-	(414.2)	(414.2)	-	(414.2)
Distributions paid/payable on Goodman PLUS		-	-	-	-	-	-	-	-	(4.6)	(4.6)
Issue of ordinary units under the Goodman LTIP	17(a)	70.8	-	-	-	-	-	-	70.8	-	70.8
Equity settled share based payments transaction relating to Goodman		-	-	-	-	25.8	25.8	-	25.8	-	25.8
Repurchase of Goodman PLUS		-	-	-	-	-	-	-	-	(327.0)	(327.0)
Balance at 30 June 2018		7,381.3	10.5	1.5	(158.2)	129.3	(16.9)	112.3	7,476.7	-	7,476.7

GIT	Attributable to Unitholders										
	Note	Issued capital \$M	Asset revaluation reserve \$M	Cash flow hedge reserve \$M	Foreign currency translation reserve \$M	Employee compensation reserve \$M	Total reserves \$M	(Accumulated losses)/retained earnings \$M	Total \$M	Other non-controlling interests \$M	Total equity \$M
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	1,009.7	1,009.7	–	1,009.7
Other comprehensive income											
Effect of foreign currency translation		–	0.3	0.1	87.1	–	87.5	–	87.5	–	87.5
Cash flow hedges:											
– Change in value of financial instruments		–	–	(4.9)	–	–	(4.9)	–	(4.9)	–	(4.9)
Increase due to revaluation of other financial assets		–	1.8	–	–	–	1.8	–	1.8	–	1.8
Total other comprehensive income/(loss) for the year, net of income tax		–	2.1	(4.8)	87.1	–	84.4	–	84.4	–	84.4
Total comprehensive income/(loss) for the year		–	2.1	(4.8)	87.1	–	84.4	1,009.7	1,094.1	–	1,094.1
Contributions by and distributions to owners											
Distributions declared on ordinary units	16	–	–	–	–	–	–	(453.5)	(453.5)	–	(453.5)
Issue of ordinary units under the Goodman Group LTIP	17(a)	96.0	–	–	–	–	–	–	96.0	–	96.0
Equity settled share based payments transaction relating to Goodman Group		–	–	–	–	30.4	30.4	–	30.4	–	30.4
Balance at 30 June 2019		7,477.3	12.6	(3.3)	(71.1)	159.7	97.9	668.5	8,243.7	–	8,243.7

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated cash flow statements

for the year ended 30 June 2019

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Cash flows from operating activities					
Property income received		121.0	148.3	85.5	83.5
Cash receipts from development activities		1,181.3	1,460.3	34.7	38.2
Other cash receipts from services provided		351.8	285.5	–	–
Property expenses paid		(39.8)	(42.1)	(28.5)	(26.3)
Payments for development activities		(723.7)	(731.5)	(7.4)	(0.6)
Other cash payments in the course of operations		(311.5)	(287.8)	(51.3)	(48.0)
Distributions received from equity accounted investments		365.4	465.3	228.5	340.2
Interest received		46.2	32.1	43.2	28.2
Finance costs paid		(125.8)	(109.3)	(121.9)	(108.0)
Net income taxes (paid)/received		(37.4)	(59.6)	(1.5)	0.1
Net cash provided by operating activities	18(b)	827.5	1,161.2	181.3	307.3
Cash flows from investing activities					
Net proceeds from disposal of investment properties		75.2	459.9	243.2	102.8
Net proceeds from disposal of equity investments		123.4	208.2	115.6	5.2
Payments for investment properties		(94.5)	(118.1)	(10.7)	(16.6)
Payments for equity investments		(920.6)	(571.1)	(657.2)	(361.4)
Payments for plant and equipment		(1.7)	(5.4)	–	–
Net cash used in investing activities		(818.2)	(26.5)	(309.1)	(270.0)
Cash flows from financing activities					
Repurchase of Goodman PLUS		–	(327.0)	–	(327.0)
Net cash flows from loans to related parties		(41.2)	(10.1)	(126.3)	956.5
Proceeds from borrowings		12.6	1,867.1	–	1,867.1
Payments on borrowings and derivative financial instruments		(291.9)	(1,678.6)	(262.5)	(1,615.5)
Cash outflow on debt restructure		–	(162.2)	–	(162.2)
Dividends and distributions paid		(528.7)	(488.4)	(438.7)	(488.4)
Net cash (used in)/provided by financing activities		(849.2)	(799.2)	(827.5)	230.5
Net (decrease)/increase in cash held		(839.9)	335.5	(955.3)	267.8
Cash and cash equivalents at the beginning of the year		2,406.8	2,095.1	2,129.7	1,882.5
Effect of exchange rate fluctuations on cash held		40.2	(23.8)	40.0	(20.6)
Cash and cash equivalents at the end of the year	18(a)	1,607.1	2,406.8	1,214.4	2,129.7

The consolidated cash flow statements are to be read in conjunction with the accompanying notes. Non-cash transactions are included in note 18(c).

Notes to the consolidated financial statements

BASIS OF PREPARATION

This section sets out the general basis upon which Goodman and GIT have prepared their financial statements and information that is disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

Specific accounting policies can be found in the section to which they relate.

1 Basis of preparation

Goodman Limited and Goodman Industrial Trust are for profit entities domiciled in Australia.

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB. The consolidated financial statements also comply with IFRS.

The consolidated financial statements are presented in Australian dollars and were authorised for issue by the Directors on 23 August 2019.

(b) Basis of preparation of the consolidated financial reports

Shares in the Company, units in the Trust and CDIs over shares in GLHK are stapled to one another and are quoted as a single security on the ASX. Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company, the Trust and GLHK, the Company is identified as having acquired control over the assets of the Trust and GLHK. In the consolidated statement of financial position of the Group, equity attributable to the Trust and the CDIs over the shares of GLHK are presented as non-controlling interests.

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

The consolidated financial statements are prepared on the historical cost basis, subject to any impairment of assets, except that the following assets and liabilities are stated at fair value:

- + investment properties;
- + derivative financial instruments;
- + investments in unlisted securities; and
- + liabilities for cash settled share based payment arrangements.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in these consolidated financial statements have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

(c) Foreign currency translation Functional and presentation currency

Items included in the consolidated financial statements of each of the controlled entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's and the Trust's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Notes to the consolidated financial statements

Basis of preparation (continued)

1. Basis of preparation (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of controlled foreign operations are translated into Australian dollars at foreign exchange rates ruling at the balance date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. On cessation of operations in a foreign region, the cumulative exchange differences relating to the operations in that region, that have been included in the foreign currency translation reserve, are reclassified to profit or loss.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

Exchange rates used

The following exchange rates are the main exchange rates used in translating foreign currency transactions, balances and financial statements to Australian dollars:

Australian dollars (AUD) to	Weighted average		As at 30 June	
	2019	2018	2019	2018
New Zealand dollars (NZD)	1.0665	1.0851	1.0449	1.0922
Hong Kong dollars (HKD)	5.6069	6.0659	5.4761	5.8015
Chinese yuan (CNY)	4.8819	5.0429	4.8141	4.8975
Japanese yen (JPY)	79.4634	85.5326	75.6340	81.9120
Euros (EUR)	0.6269	0.6498	0.6173	0.6332
British pounds sterling (GBP)	0.5527	0.5760	0.5523	0.5604
United States dollars (USD)	0.7152	0.7752	0.7011	0.7394
Brazilian real (BRL)	2.7616	2.5684	2.6880	2.8565

(d) Changes in accounting policies

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. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on Goodman and GIT's financial statements.

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 consolidated 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 amounts recoverable in respect of investment management contracts and fixed price development contracts. These were previously recognised as receivables.

Contract liabilities

Contract liabilities include consideration received in advance of the completion of development contracts and rental guarantees provided by Goodman in respect of inventory disposal and fixed price development contracts. These were previously recognised as payables.

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

Notes to the consolidated financial statements

Basis of preparation (continued)

1. Basis of preparation (continued)

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 Partnerships.

(e) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, AASB 16 Leases was available for early adoption but has not been applied in preparing these financial statements:

AASB 16 replaces AASB 117 Leases and other existing guidance on leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will result in the gross up of assets and liabilities where Goodman leases office buildings, motor vehicles and development land classified as inventories.

Goodman will apply AASB 16 initially on 1 July 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying this standard is recognised at the date of initial application. Goodman will recognise a lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application and a right of use asset equal to the lease liability, adjusted for any prepared or accrued lease payments. Goodman expects to recognise \$15.9 million of right of use assets and \$15.9 million of lease liabilities at 1 July 2019 in relation to development land and \$58.2 million of right of use assets and \$57.3 million of lease liabilities at 1 July 2019 in relation to other leases.

Goodman will apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117.

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

(f) Critical accounting estimates used in the preparation of the consolidated financial statements

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by Goodman. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year can be found in the following notes:

- + Note 6 – Property assets;
- + Note 11 – Goodwill and intangible assets; and
- + Note 15 – Financial risk management.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Measurement of fair values

A number of Goodman's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, Goodman uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- + Note 6 – Property assets; and
- + Note 15 – Financial risk management.

RESULTS FOR THE YEAR

The notes in this section focus on the significant items in the income statement, and include the profit per security, analysis of the results by operating segment and taxation details.

2 Profit before income tax

Gross property income

Gross property income comprises rental income 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 are 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.

Notes to the consolidated financial statements

Results for the year (continued)

2 Profit before income tax (continued)

Performance related management income generally relates to portfolio performance fee income, which 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 the quality and location of the portfolio, active property management, rental income rates and development activity but can also be significantly affected by changes in global and local economic conditions. Accordingly, portfolio 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. Where the income is attributable to development activities that have occurred over the performance fee period, then it is reported as development income, otherwise the income is reported as management income. The Partnerships make payments in respect of portfolio performances fees at the end of the performance periods, once the attainment of the conditions has been verified and the amount of the fee has been agreed by all parties.

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, but can be longer for larger, more complex projects.

Performance related development income includes income associated with the returns from individual developments under the Group's management and performance fee income that relates to development activity. Income in respect of individual developments 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. Income associated with development activities as part of a portfolio assessment is recognised on the same basis as outlined above in the management income section.

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.

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.

Employee expenses**Wages, salaries and annual leave**

Wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided to the balance date. These are calculated at undiscounted amounts based on rates that are expected to be paid as at balance date including related on-costs, such as insurances and payroll tax.

Bonuses

A liability is recognised in other payables and accruals for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for bonuses are measured at the amounts expected to be paid, including related on-costs, when they are settled.

Superannuation**Defined contribution funds**

Obligations for contributions to defined contribution funds are recognised as an expense as incurred.

Defined benefit funds

The net obligation in respect of defined benefit funds is recognised in the statement of financial position and is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Notes to the consolidated financial statements

Results for the year (continued)

2 Profit before income tax (continued)

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

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Gross property income					
Rental income		93.5	131.0	63.7	66.6
Recovery of property outgoings		21.1	19.4	16.5	15.8
Gross property income		114.6	150.4	80.2	82.4
Management activities					
Management services		265.4	233.4	–	–
Performance related income		204.3	83.1	–	–
Management income		469.7	316.5	–	–
Development activities					
Income from disposal of inventories		486.2	402.7	31.5	34.1
Income from fixed price development contracts		419.7	528.8	–	–
Other development income, including development management		223.3	158.4	–	–
Net gain on disposal of special purpose development entities		5.1	25.9	–	–
Development income		1,134.3	1,115.8	31.5	34.1
Inventory cost of sales		(343.0)	(362.4)	(31.5)	(27.4)
Costs incurred on fixed price development contracts		(384.3)	(446.5)	–	–
Development expenses		(727.3)	(808.9)	(31.5)	(27.4)
Disposal of equity investments					
Net consideration from disposal of associates and JVs		18.2	340.8	4.9	126.5
Carrying value of associates and JVs disposed	6(f)	(5.6)	(300.1)	–	(87.2)
Net gain on disposal of equity investments		12.6	40.7	4.9	39.3
Employee expenses					
Wages, salaries and on-costs		(184.0)	(168.5)	–	–
Annual and long service leave		(1.9)	(4.2)	–	–
Superannuation costs		(6.0)	(8.0)	–	–
Employee expenses		(191.9)	(180.7)	–	–
Share based payments					
Equity settled share based payments expense		(97.6)	(82.4)	–	–
Cash settled share based payments expense		(64.7)	(29.9)	–	–
Other share based payments related costs		(34.3)	(13.3)	–	–
Share based payments expense		(196.6)	(125.6)	–	–
Amortisation and depreciation		(6.6)	(6.2)	–	–

3 Profit per security

Basic profit per security of the Group is calculated by dividing the profit attributable to the Securityholders by the weighted average number of securities outstanding during the year. Diluted profit per security is determined by adjusting the profit attributable to the Securityholders and weighted average number of securities outstanding for all dilutive potential securities, which comprise performance rights issued under the LTIP and securities contingently issuable on conversion of hybrid securities.

(a) Goodman

	2019 ¢	2018 ¢
Profit per security		
Basic profit per security	89.9	61.1
Diluted profit per security	87.3	59.4

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

	2019 \$M	2018 \$M
Profit per security		
Profit after tax used in calculating basic profit per security	1,627.9	1,098.2
Distribution on Goodman PLUS	–	4.6
Profit after tax used in calculating diluted profit per security	1,627.9	1,102.8

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

	2019 Number of securities	2018 Number of securities
Weighted average number of securities used in calculating basic profit per security	1,811,689,652	1,798,818,105
Effect of performance rights on issue	52,360,737	48,199,884
Effect of issue of securities to Goodman PLUS holders	–	10,155,659
Weighted average number of securities used in calculating diluted profit per security	1,864,050,389	1,857,173,648

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

Notes to the consolidated financial statements

Results for the year (continued)

3 Profit per security (continued)

(b) Goodman Limited

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

	2019	2018
	¢	¢
Profit per Goodman Limited share		
Basic profit per Goodman Limited share	13.4	10.1
Diluted profit per Goodman Limited share	13.0	9.9

The profit after tax used in calculating both the basic and diluted profit per Goodman Limited share was \$242.8 million (2018: basic \$182.5 million; and diluted \$183.6 million) and the weighted average number of securities used in calculating basic and diluted profit per Goodman Limited share was 1,811,689,652 and 1,864,050,389 respectively (2018: 1,798,818,105 and 1,857,173,648).

4 Segment reporting

An operating segment is a component of Goodman that engages in business activities from which it may earn revenues and incur expenses. Goodman reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and Goodman has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (primarily Germany and France), the United Kingdom and the Americas (North America and Brazil).

The activities and services undertaken by the operating segments include:

- + property investment, including both direct ownership and cornerstone investments in 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 Partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, investment properties and the operating segment's investments in Partnerships, but exclude inter-entity funding, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude interest bearing liabilities, derivative financial instruments, provisions for distributions and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements of Goodman and GIT.

For the purpose of operating segment reporting, there are no material intersegment revenues and costs.

Information regarding the operations of each reportable segment is included on the following pages.

Information about reportable segments

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Income Statement												
External revenues												
Gross property income	104.4	111.4	1.7	2.9	6.7	12.6	1.6	5.0	0.2	18.5	114.6	150.4
Management income	150.4	122.8	184.5	134.4	121.4	53.6	2.1	2.5	11.3	3.2	469.7	316.5
Development income	268.2	94.5	99.0	79.0	628.6	660.3	78.4	188.5	60.1	93.5	1,134.3	1,115.8
Total external revenues	523.0	328.7	285.2	216.3	756.7	726.5	82.1	196.0	71.6	115.2	1,718.6	1,582.7
Analysis of external revenues												
Revenue from contracts with customers												
Assets and services transferred at a point in time	150.5	23.0	22.0	27.1	318.0	218.8	70.3	179.6	0.7	33.7	561.5	482.2
Assets and services transferred over time	286.7	208.2	261.6	186.7	434.5	495.7	10.2	13.7	70.7	63.1	1,063.7	967.4
Other revenue												
Rental income (excludes outgoings recoveries)	85.8	97.5	1.6	2.5	4.2	12.0	1.6	2.7	0.2	18.4	93.4	133.1
Total external revenues	523.0	328.7	285.2	216.3	756.7	726.5	82.1	196.0	71.6	115.2	1,718.6	1,582.7
Reportable segment profit before tax	476.0	474.2	330.9	245.1	324.8	226.2	(26.0)	14.9	89.2	94.8	1,194.9	1,055.2
Share of net results of equity accounted investments	489.2	285.3	370.5	246.9	86.0	133.5	21.7	12.5	165.1	232.7	1,132.5	910.9
Material non-cash items not included in reportable segment profit before tax												
Net gain from fair value adjustments on investment properties	146.8	71.1	-	-	-	-	-	-	-	-	146.8	71.1
Statement of financial position	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Reportable segment assets	5,357.1	4,848.0	2,870.8	2,208.1	2,221.5	2,012.1	763.5	736.3	2,277.4	1,342.4	13,490.3	11,146.9
Non-current assets	5,099.5	4,527.9	2,470.1	1,979.9	1,838.7	1,621.5	675.5	440.6	1,950.1	1,124.4	12,033.9	9,694.3
Included in reportable segment assets are:												
Investment properties	1,866.2	1,744.1	-	-	-	-	30.9	30.5	-	-	1,897.1	1,774.6
Investments accounted for using the equity method	3,158.5	2,736.8	2,290.8	1,816.2	861.9	798.3	200.3	118.6	1,940.9	1,115.6	8,452.4	6,585.5
Reportable segment liabilities	164.9	201.5	164.9	100.4	75.5	90.7	86.6	80.1	90.9	73.7	582.8	546.4

Notes to the consolidated financial statements

Results for the year (continued)

4 Segment reporting (continued)

GIT	Australia and New Zealand		Asia		Continental Europe		Americas		Total	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Income statement										
External revenues										
Gross property income	80.2	80.9	-	-	-	-	-	-	80.2	80.9
Income from disposal of inventories	31.5	-	-	-	-	-	-	-	31.5	-
Distributions from investments	-	-	-	-	2.9	7.4	-	-	2.9	7.4
Other income	-	(0.1)	-	-	-	0.5	-	-	-	0.4
Total external revenues	111.7	80.8	-	-	2.9	7.9	-	-	114.6	88.7
Analysis of external revenues										
Revenue from contracts with customers										
Assets and services transferred at a point in time	31.5	-	-	-	-	-	-	-	31.5	-
Assets and services transferred over time	16.5	15.8	-	-	-	-	-	-	16.5	15.8
Other revenue										
Rental income (excludes outgoings recoveries)	63.7	65.1	-	-	-	-	-	-	63.7	65.1
Other income	-	(0.1)	-	-	2.9	7.9	-	-	2.9	7.8
Total external revenues	111.7	80.8	-	-	2.9	7.9	-	-	114.6	88.7
Reportable segment profit before tax	183.7	249.1	32.9	29.6	48.1	68.6	38.3	24.9	303.0	372.2
Share of net results of equity accounted investments	422.7	242.5	174.6	150.4	60.2	116.6	159.1	224.2	816.6	733.7
Material non-cash items not included in reportable segment profit before tax										
Net gain from fair value adjustments on investment properties	142.3	56.0	-	-	-	-	-	-	142.3	56.0
Statement of financial position										
Reportable segment assets	3,899.4	3,803.1	1,103.0	900.8	739.6	703.4	2,065.9	1,075.7	7,807.9	6,483.0
Non-current assets	3,877.9	3,629.4	1,103.0	900.8	739.2	698.5	1,871.1	1,075.6	7,591.2	6,304.3
Included in reportable segment assets are:										
Investment properties	1,158.6	1,222.4	-	-	-	-	-	-	1,158.6	1,222.4
Investments accounted for using the equity method	2,712.8	2,369.5	1,103.0	900.8	714.1	676.0	1,871.1	1,075.6	6,401.0	5,021.9
Reportable segment liabilities	138.8	142.6	-	-	(0.3)	3.4	63.4	43.7	201.9	189.7

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

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Revenues					
Total revenue for reportable segments		1,718.6	1,582.7	114.6	88.7
Total revenue for other segments ¹		–	–	–	35.2
Consolidated revenues		1,718.6	1,582.7	114.6	123.9
Profit or loss					
Total profit before tax for reportable segments²					
Property investment earnings		372.1	384.8		
Management earnings		469.7	316.5		
Development earnings		509.2	490.6		
Operating expenses allocated to reportable segments		(156.1)	(136.7)		
Reportable segment profit before tax		1,194.9	1,055.2	303.0	372.2
Profit before tax for other segments		–	–	–	8.0
Corporate expenses not allocated to reportable segments		(111.6)	(112.7)	(51.4)	(46.0)
		1,083.3	942.5	251.6	334.2
Valuation and other items not included in reportable segment profit before tax:					
– Net gain from fair value adjustments on investment properties	6(e)	146.8	71.1	142.3	56.0
– Share of fair value adjustments attributable to investment properties in associates and JVs after tax	6(f)	746.6	602.7	559.8	508.3
– Share of fair value adjustments on derivative financial instruments in associates and JVs	6(f)	20.4	(34.3)	18.8	(32.6)
– Straight lining of rental income		0.4	0.8	0.2	0.7
– Share based payments expense		(196.6)	(125.6)	–	–
– Net capital losses not distributed and tax deferred adjustments		(6.9)	(4.7)	2.1	(3.5)
Profit before interest and tax		1,794.0	1,452.5	974.8	863.1
Net finance (expense)/income	12	(49.3)	(267.3)	53.3	(118.4)
Consolidated profit before income tax		1,744.7	1,185.2	1,028.1	744.7
Assets					
Assets for reportable segments		13,490.3	11,146.9	7,807.9	6,483.0
Cash		1,013.4	2,102.3	1,013.3	2,102.3
Other unallocated amounts ³		409.1	210.2	3,632.7	3,223.3
Consolidated total assets		14,912.8	13,459.4	12,453.9	11,808.6
Liabilities					
Liabilities for reportable segments		582.8	546.4	201.9	189.7
Interest bearing liabilities		2,975.0	3,081.5	2,864.3	2,964.9
Provisions for dividends/distributions to Securityholders	16	272.1	256.6	181.4	166.6
Other unallocated amounts ³		560.4	401.2	962.6	1,010.7
Consolidated total liabilities		4,390.3	4,285.7	4,210.2	4,331.9

1. The revenue for other segments for GIT in FY18 related to the disposal of a business park asset in the United Kingdom.

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

3. Other unallocated amounts in Goodman and GIT included other financial assets and liabilities, deferred tax assets, tax payables and provisions which did not relate to the reportable segments. Accordingly, other unallocated assets and liabilities in GIT included loans due from/to controlled entities in Goodman.

Notes to the consolidated financial statements

Results for the year (continued)

5 Taxation

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the financial year and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not accounted for:

- + goodwill;
- + the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- + differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets or liabilities in respect of investment properties held at fair value are calculated on the presumption that the carrying amount of the investment property will be recovered through sale. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from dividends/distributions are recognised at the same time as the liability to pay the related dividends/distributions.

(a) Goodman

	2019 \$M	2018 \$M
Current tax expense recognised in the income statement		
Current year	(72.8)	(48.8)
Adjustment for current tax in prior periods	1.3	1.7
Current tax expense	(71.5)	(47.1)
Deferred tax expense recognised in the income statement		
Origination and reversal of temporary differences	(45.3)	(35.3)
Deferred tax expense	(45.3)	(35.3)
Total income tax expense¹	(116.8)	(82.4)

1. Total income tax expense includes deferred taxes of \$21.7 million (2018: \$34.8 million) on fair value adjustments on investment properties.

Reconciliation of income tax expense to profit before income tax

	2019 \$M	2018 \$M
Profit before income tax	1,744.7	1,185.2
Prima facie income tax expense calculated at 30% (2018: 30%) on profit before income tax	(523.4)	(355.6)
Decrease/(increase) in income tax due to:		
– Profit attributable to GIT Unitholders	301.7	223.4
– Current year losses for which no deferred tax asset was recognised	(14.8)	(9.4)
– Non-deductible impairment losses and fair value movements	(0.4)	4.1
– Other non-assessable/(deductible) items, net	63.0	40.9
– Utilisation of previously unrecognised tax losses	54.4	29.7
– Difference in overseas tax rates	29.5	14.0
– Adjustment for current tax in prior periods	1.3	1.7
– Taxes on Partnership income	(22.3)	(34.2)
– Other items	(5.8)	3.0
Income tax expense	(116.8)	(82.4)

Current tax receivable/payable

	2019 \$M	2018 \$M
Net income tax payable		
Net income tax payable at the beginning of the year	(50.1)	(61.5)
Decrease/(increase) in current tax payable due to:		
– Net income taxes paid	37.4	59.6
– Current tax expense	(71.5)	(47.1)
– Other	(0.8)	(1.1)
Net income tax payable at the end of the year	(85.0)	(50.1)
Current tax receivables (refer to note 7)	7.6	9.1
Current tax payables	(92.6)	(59.2)
	(85.0)	(50.1)

Notes to the consolidated financial statements

Results for the year (continued)

5 Taxation (continued)

Deferred tax assets and liabilities

Deferred tax assets/(liabilities) are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Investment properties	–	–	(112.8)	(69.6)
Receivables	–	–	(46.2)	(8.1)
Tax losses	14.5	0.5	–	–
Payables	15.1	–	–	–
Provisions	5.9	5.5	–	–
Other items	0.2	–	–	–
Tax assets/(liabilities)	35.7	6.0	(159.0)	(77.7)
Set off of tax	(28.9)	–	28.9	–
Net tax assets/(liabilities)	6.8	6.0	(130.1)	(77.7)

Deferred tax assets of \$248.8 million (2018: \$294.4 million) in relation to tax losses and payables have not been recognised by Goodman.

(b) GIT

Under current Australian income tax legislation, the Trust is not liable for income tax, including capital gains tax, provided that Securityholders are presently entitled to the distributable income of the Trust as calculated for trust law purposes. The controlled entities of the Trust that operate in certain foreign jurisdictions are liable to pay tax in those jurisdictions.

The income tax expense recorded by GIT relates to withholding taxes on actual distributions and deferred taxes on potential future distributions from Partnerships. At 30 June 2019, deferred tax liabilities of \$62.8 million (2018: \$43.2 million) have been recognised in relation to potential future distributions from Partnerships.

OPERATING ASSETS AND LIABILITIES

The notes in this section focus on Goodman's property assets, working capital and goodwill and intangible assets.

6 Property assets

(a) Principles and policies

Investment in property assets includes both inventories and investment properties (including those under development), which may be held either directly or through investments in 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. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Changes in the fair value of investment properties are recognised directly in the income statement.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial report.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classed as being under development and would be completed properties that are leased or are available for lease to customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to consider whether they reflect the fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(b) Summary of investment in property assets

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Inventories					
Current	6(d)	307.9	520.5	–	–
Non-current	6(d)	761.1	437.5	6.5	37.5
		1,069.0	958.0	6.5	37.5
Investment properties					
Stabilised investment properties		1,756.4	1,624.3	1,147.7	1,211.6
Investment properties under development		140.7	150.3	10.9	10.8
	6(e)	1,897.1	1,774.6	1,158.6	1,222.4
Investments accounted for using the equity method					
Associates	6(f)(i)	4,856.0	4,162.4	4,120.4	3,569.8
JVs	6(f)(ii)	3,596.4	2,423.1	2,280.6	1,452.1
		8,452.4	6,585.5	6,401.0	5,021.9
Total property assets		11,418.5	9,318.1	7,566.1	6,281.8

(c) Estimates and assumptions in determining property carrying values

Inventories

For both inventories held directly and inventories held in 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 Partnerships.

Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Recent and relevant sales evidence and other market data are taken into account. Valuations are either based on an external independent valuation or on an internal valuation.

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:

- + function of the asset (distribution/warehouse or suburban office);
- + location of asset (city, suburb or regional area);
- + carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
- + categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure, and/or there has been a change in use (or zoning) of the asset and/or it has been three years since the previous external independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

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.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

Market assessment

At 30 June 2019, all markets in which Goodman operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. The overall weighted average capitalisation rates for the divisional portfolios (including Partnerships) are as set out in the table below:

Division	Goodman		GIT	
	2019 ¹ %	2018 %	2019 ¹ %	2018 %
Australia and New Zealand	5.4	5.9	5.3	5.8
Asia	4.8	5.0	4.3	4.6
Continental Europe	5.1	5.4	5.2	5.5
United Kingdom	4.8	5.4	–	–
Americas	4.6	4.2	4.6	4.2

1. The methodology used to calculate the weighted average capitalisation rate was changed in the current year to reflect the gross values of investment properties held by Partnerships. Had this methodology been applied to the comparative figures, there would have been no change to the rates disclosed except for the Americas, which would have been 4.7% for both Goodman and GIT.

During the current financial year, the fair values of 76% (2018: 69%) of stabilised investment properties (excluding \$0.4 billion of properties being positioned for redevelopment) held directly by Goodman were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued. The equivalent percentage for GIT was 97% (2018: 69%).

For investments in Partnerships, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

This practice of determining fair value by reference to the development feasibility is generally also applied for Goodman's investments in Partnerships. However, certain Partnerships do obtain independent valuations for investment properties under development each financial year.

(d) Inventories

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Current				
Land and development properties	307.9	520.5	–	–
	307.9	520.5	–	–
Non-current				
Land and development properties	761.1	437.5	6.5	37.5
	761.1	437.5	6.5	37.5

Goodman

During the current and prior financial year, no impairment losses were recognised on land and development properties.

During the financial year, borrowing costs of \$23.1 million (2018: \$67.8 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal of the inventories.

(e) Investment properties**Reconciliation of carrying amount of directly held investment properties**

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Carrying amount at the beginning of the year	1,774.6	2,010.2	1,222.4	1,263.5
Acquisitions	–	53.2	–	–
Capital expenditure	59.7	76.7	9.2	12.8
Carrying value of properties disposed	(30.4)	(415.0)	(215.4)	(109.6)
Transfers to inventories	(54.5)	(23.5)	–	–
Net gain from fair value adjustments	146.8	71.1	142.3	56.0
Effect of foreign currency translation	0.9	1.9	0.1	(0.3)
Carrying amount at the end of the year	1,897.1	1,774.6	1,158.6	1,222.4
Analysed by segment:				
Australia and New Zealand	1,866.2	1,744.1	1,158.6	1,222.4
United Kingdom	30.9	30.5	–	–
	1,897.1	1,774.6	1,158.6	1,222.4

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

Goodman

During the financial year, borrowing costs of \$0.6 million (2018: \$40.4 million) previously capitalised into the carrying value of investment properties were expensed to the income statement on disposal of the investment properties.

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation method used (see notes 1(f) and 6(c)). The majority of directly held investment properties are in Australia and the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs, are summarised in the table below:

Valuation technique	Significant unobservable inputs	2019	2018
Income capitalisation	Range of net market rents (per square metre per annum)	\$40 to \$320	\$40 to \$276
	Capitalisation rate (weighted average)	5.4%	5.8%

The estimated fair value would increase if net market rents were higher and/or if capitalisation rates were lower. The estimated fair value would decrease if the net market rents were lower and/or if the capitalisation rates were higher.

The weighted average lease expiries of Goodman's and GIT's directly held investment properties in Australia are 4.3 and 2.8 years respectively.

Non-cancellable operating lease commitments receivable from investment property customers

The analysis in the table below reflects the gross property income, excluding recoverable outgoings, based on existing lease agreements. It assumes that leases will not extend beyond the next review date, where the customer has an option to end the lease.

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Non-cancellable operating lease commitments receivable:				
– Within one year	83.8	84.1	47.9	55.5
– One year or later and no later than five years	178.8	188.5	90.3	110.8
– Later than five years	128.2	146.9	26.8	23.2
	390.8	419.5	165.0	189.5

(f) Investments accounted for using the equity method

Investments accounted for using the equity method comprise associates and JVs, which are collectively referred to as Partnerships.

Associates

An associate is an entity in which Goodman exercises significant influence but not control over its financial and operating policies. In the consolidated financial statements, investments in associates are accounted for using the equity method. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Under this method, Goodman's share of post-acquisition gains or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in consolidated reserves. Cumulative post-acquisition movements in both profit or loss and reserves are adjusted against the cost of the investment.

JVs

A JV is an arrangement in which Goodman is considered to have joint control for accounting purposes, whereby Goodman has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. Goodman's share of the JVs' net profit or loss is recognised in the consolidated income statement from the date the arrangement commences to the date the arrangement ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with associates and JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of Goodman's interest. Unrealised gains relating to associates and JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains unless they evidence an impairment of an asset.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(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	
		2019 \$M	2018 \$M	2019 %	2018 %	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 %	2018 %	2019 \$M	2018 \$M
Property investment													
Goodman Australia Industrial Partnership (GAIP)	Australia	273.8	128.5	28.4	27.9	1,543.4	1,319.7	273.8	128.5	28.4	27.9	1,543.4	1,319.7
Goodman Australia Partnership (GAP)	Australia	118.5	76.2	19.9	19.9	759.9	673.4	118.5	76.2	19.9	19.9	759.9	673.4
Goodman Property Trust (GMT) ¹	New Zealand	65.9	37.6	21.6	21.2	433.3	354.9	–	–	–	–	–	–
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	174.5	150.3	20.1	20.0	1,103.0	900.8	174.5	150.3	20.1	20.0	1,103.0	900.8
Goodman Japan Core Partnership (GJCP) ²	Japan	21.4	22.2	16.5	17.3	302.3	237.7	–	–	–	–	–	–
Goodman European Partnership (GEP)	Luxembourg	60.3	116.6	20.4	20.4	714.1	675.9	60.3	116.6	20.4	20.4	714.1	675.9
		714.4	531.4			4,856.0	4,162.4	627.1	471.6			4,120.4	3,569.8

1. GMT is listed on the New Zealand Stock Exchange (NZX). The market value of Goodman's investment in GMT at 30 June 2019 using the quoted price on the last day of trading was \$520.6 million (2018: \$350.8 million).

2. Goodman's ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

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

Movement in carrying amount of investments in associates	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Carrying amount at the beginning of the year	4,162.4	3,907.0	3,569.8	3,159.0
Share of net results after tax (before fair value adjustments)	223.9	236.1	183.6	204.5
Share of fair value adjustments attributable to investment properties after tax	469.7	329.6	424.3	299.7
Share of fair value adjustments on derivative financial instruments	20.8	(34.3)	19.2	(32.6)
Share of net results	714.4	531.4	627.1	471.6
Share of movements in reserves	(4.8)	2.4	(4.8)	2.4
Acquisitions	86.8	122.5	35.1	97.2
Disposals	(5.6)	(212.9)	–	–
Distributions/dividends received and receivable	(211.2)	(256.8)	(181.5)	(226.5)
Effect of foreign currency translation	114.0	68.8	74.7	66.1
Carrying amount at the end of the year	4,856.0	4,162.4	4,120.4	3,569.8

The table below includes further information regarding associates held at the end of the financial year:

	GAIP		GAP		GMT		GHKLP		GJCP ²		GEP	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Summarised statement of financial position												
Total current assets	347.3	231.8	170.7	270.2	22.6	36.0	64.9	74.5	152.2	103.9	186.0	1,081.6
Total non-current assets	7,653.1	6,561.8	3,952.4	3,437.7	2,641.4	2,343.5	7,392.9	5,922.2	2,841.5	2,215.4	5,824.7	4,605.0
Total current liabilities	367.1	285.8	111.0	41.6	27.3	32.8	568.5	95.1	21.6	25.2	282.8	262.8
Total non-current liabilities	2,251.1	1,887.1	280.1	281.1	673.7	703.5	1,446.5	1,404.6	1,140.1	917.4	2,222.0	2,105.4
Net assets (100%)	5,382.2	4,620.7	3,732.0	3,385.2	1,963.0	1,643.2	5,442.8	4,497.0	1,832.0	1,376.7	3,505.9	3,318.4
Summarised statement of comprehensive income												
Revenue	415.8	414.9	245.3	257.7	129.0	140.5	266.1	233.0	177.5	163.3	320.5	284.9
Profit after tax and revaluations	979.8	461.9	595.4	382.5	309.0	178.0	871.7	751.5	119.9	120.1	297.7	574.7
Other comprehensive income/(loss)	–	–	–	2.8	–	–	(24.0)	14.1	–	–	–	–
Total comprehensive income (100%)	979.8	461.9	595.4	385.3	309.0	178.0	847.7	765.6	119.9	120.1	297.7	574.7
Goodman												
Consolidated ownership interest	28.4%	27.9%	19.9%	19.9%	21.6%	21.2%	20.1%	20.0%	16.5%	17.3%	20.4%	20.4%
Consolidated share of net assets	1,527.0	1,289.5	743.0	674.0	423.8	348.3	1,091.8	899.4	302.3	237.9	714.1	675.9
Other items, including capitalised costs	0.9	0.8	0.3	(1.4)	9.5	6.6	1.1	1.4	–	(0.2)	–	–
Distributions receivable ¹	15.5	29.4	16.6	0.8	–	–	10.1	–	–	–	–	–
Carrying amount of investment	1,543.4	1,319.7	759.9	673.4	433.3	354.9	1,103.0	900.8	302.3	237.7	714.1	675.9
Distributions received and receivable	75.1	123.0	32.1	32.5	17.3	16.7	34.4	30.7	12.5	13.6	39.8	40.3
GIT												
Consolidated ownership interest	28.4%	27.9%	19.9%	19.9%	–	–	20.1%	20.0%	–	–	20.4%	20.4%
Consolidated share of net assets	1,527.0	1,289.5	743.1	674.0	–	–	1,091.8	899.4	–	–	714.1	675.9
Other items, including capitalised costs	0.9	0.8	0.2	(1.4)	–	–	1.1	1.4	–	–	–	–
Distributions receivable ¹	15.5	29.4	16.6	0.8	–	–	10.1	–	–	–	–	–
Carrying amount of investment in associate	1,543.4	1,319.7	759.9	673.4	–	–	1,103.0	900.8	–	–	714.1	675.9
Distributions received and receivable	75.1	123.0	32.1	32.5	–	–	34.5	30.7	–	–	39.8	40.3

1. Distributions receivable related to distributions provided for but not paid by the associates at 30 June 2019. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.

2. The consolidated ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

(ii) Investments in JVs

A summary of the results and ownership interest of 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	
		2019 \$M	2018 \$M	2019 %	2018 %	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 %	2018 %	2019 \$M	2018 \$M
Property investment													
KWASA Goodman Industrial Partnership (KGIP)	Australia	17.6	16.2	40.0	40.0	176.3	166.5	17.6	16.2	40.0	40.0	176.3	166.5
KWASA Goodman Germany (KGG) ¹	Luxembourg	22.9	16.5	19.3	19.7	140.8	121.7	-	-	-	-	-	-
Property development													
Goodman Japan Development Partnership (GJDP)	Japan	53.4	17.4	50.0	50.0	192.0	127.4	-	-	-	-	-	-
Property investment and development													
Goodman China Logistics Partnership (GCLP)	Cayman Islands	122.6	58.4	20.0	20.0	690.3	545.8	-	-	-	-	-	-
Goodman UK Partnership (GUKP)	United Kingdom	20.9	12.6	33.3	33.3	196.3	109.4	-	-	-	-	-	-
Goodman North America Partnership (GNAP)	United States of America	163.9	232.7	55.0	55.0	1,923.9	1,104.9	157.9	224.1	53.0	53.0	1,854.0	1,064.9
Other JVs ²		16.8	25.7			276.8	247.4	14.0	21.8			250.3	220.7
		418.1	379.5			3,596.4	2,423.1	189.5	262.1			2,280.6	1,452.1

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.

2. Other JVs includes the investment in Goodman Brazil Logistics Partnership.

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

	Goodman		GIT	
	2019	2018	2019	2018
Movement in carrying amount of investments in JVs	\$M	\$M	\$M	\$M
Carrying amount at the beginning of the year	2,423.1	1,819.3	1,452.1	1,111.8
Share of net results after tax (before fair value adjustments)	141.6	106.4	54.4	53.5
Share of fair value adjustments attributable to investment properties after tax	276.9	273.1	135.5	208.6
Share of fair value adjustments on derivative financial instruments	(0.4)	–	(0.4)	–
Share of net results	418.1	379.5	189.5	262.1
Share of movements in reserves	(39.8)	26.6	–	–
Acquisitions	824.2	415.5	612.5	232.6
Disposals	–	(87.2)	–	(87.2)
Distributions/dividends received and receivable	(154.6)	(209.3)	(44.2)	(106.3)
Effect of foreign currency translation	125.4	78.7	70.7	39.1
Carrying amount at the end of the year	3,596.4	2,423.1	2,280.6	1,452.1

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

The table below includes further information regarding principal JVs held at the end of the financial year:

	KGIP		KGG ¹		GJDP		GCLP ²		GUKP		GNAP	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Summarised statement of financial position												
Current assets												
Cash and cash equivalents	1.9	1.9	14.5	57.9	166.7	93.0	218.1	191.3	21.0	3.5	41.4	22.0
Other current assets	1.6	0.8	2.7	2.9	18.5	28.6	32.3	23.4	1.2	3.3	1.2	18.0
Total current assets	3.5	2.7	17.2	60.8	185.2	121.6	250.4	214.7	22.2	6.8	42.6	40.0
Total non-current assets	688.4	662.4	1,319.7	1,156.5	501.1	413.7	4,421.8	3,326.7	572.2	325.1	3,537.6	2,023.9
Current liabilities												
Other current liabilities	15.5	6.4	76.3	49.9	7.2	3.0	2,333.6	1,962.1	6.8	4.8	90.1	62.4
Total current liabilities	15.5	6.4	76.3	49.9	7.2	3.0	2,333.6	1,962.1	6.8	4.8	90.1	62.4
Non-current liabilities												
Financial liabilities	241.0	240.0	530.3	514.6	283.2	280.4	503.5	428.2	-	-	1.1	1.0
Other non-current liabilities	2.8	2.4	-	33.8	17.1	3.1	456.2	215.7	-	-	-	-
Total non-current liabilities	243.8	242.4	530.3	548.4	300.3	283.5	959.7	643.9	-	-	1.1	1.0
Net assets (100%)	432.6	416.3	730.3	619.0	378.8	248.8	1,378.9	935.4	587.6	327.1	3,489.0	2,000.5
Summarised statement of comprehensive income												
Revenue	44.5	44.4	63.9	97.2	440.3	38.0	159.9	130.3	16.7	9.3	80.0	56.2
Net finance expense	(9.0)	(8.3)	(8.3)	(6.9)	(0.7)	(0.1)	(20.7)	(21.7)	(5.6)	-	(0.2)	(0.2)
Income tax expense	-	-	(4.1)	(17.2)	(2.9)	(3.0)	(21.4)	(26.8)	-	-	(0.4)	(0.1)
Profit after tax and revaluations	43.9	40.5	108.6	73.1	109.7	34.9	613.2	292.2	61.9	37.9	333.7	317.9
Other comprehensive income	-	-	-	-	-	-	(198.8)	133.2	-	-	-	-
Total comprehensive income (100%)	43.9	40.5	108.6	73.1	109.7	34.9	414.4	425.4	61.9	37.9	333.7	317.9

	KGIP		KGG ¹		GJDP		GCLP ²		GUKP		GNAP	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Goodman												
Consolidated ownership interest	40.0%	40.0%	19.3%	19.7%	50.0%	50.0%	20.0%	20.0%	33.3%	33.3%	55.0%	55.0%
Consolidated share of net assets	173.0	166.5	140.8	121.7	189.4	124.4	275.8	187.8	195.8	109.0	1,919.0	1,100.3
Shareholder loan ²	-	-	-	-	-	-	411.2	355.6	-	-	-	-
Other items, including capitalised costs	-	-	-	-	2.6	2.3	3.3	2.4	0.5	0.4	4.9	4.6
Distributions receivable	3.3	-	-	-	-	0.7	-	-	-	-	-	-
Carrying amount of investment	176.3	166.5	140.8	121.7	192.0	127.4	690.3	545.8	196.3	109.4	1,923.9	1,104.9
Distributions/ dividends received and receivable	7.7	8.0	7.6	6.2	82.8	48.1	11.7	8.8	-	-	33.1	31.9
GIT												
Consolidated ownership interest	40.0%	40.0%	-	-	-	-	-	-	-	-	53.0%	53.0%
Consolidated share of net assets	173.0	166.5	-	-	-	-	-	-	-	-	1,849.1	1,060.3
Other items, including capitalised costs	-	-	-	-	-	-	-	-	-	-	4.9	4.6
Distributions receivable	3.3	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of investment in JV	176.3	166.5	-	-	-	-	-	-	-	-	1,854.0	1,064.9
Distributions/ dividends received and receivable	7.7	8.0	-	-	-	-	-	-	-	-	31.9	30.7

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.

2. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the Directors consider the loans to form part of Goodman's investment in GCLP.

With respect to Goodman's other JVs, the total profit after tax and revaluations was \$71.3 million (2018: \$72.9 million) and total other comprehensive income was \$nil (2018: \$nil). With respect to GIT's other JVs, the total profit after tax and revaluations was \$72.2 million (2018: \$64.5 million) and total other comprehensive income was \$nil (2018: \$nil).

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

7 Receivables

Receivables comprise trade and other receivables and loans to related parties and are recognised on the date that they are originated, initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Receivables are derecognised when the contractual rights to the cash flows from the receivable expire or the Group transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

	Goodman		GIT	
	2019	2018 Restated ²	2019	2018
	\$M	\$M	\$M	\$M
Current				
Trade receivables	11.0	56.7	–	–
Tax receivables	7.6	9.1	–	–
Other receivables	99.6	135.1	10.5	23.9
Amounts due from related parties ¹	119.4	259.5	3.0	128.7
Loans to related parties ¹	–	4.2	1,825.0	1,956.4
	237.6	464.6	1,838.5	2,109.0
Non-current				
Other receivables	2.5	2.3	–	–
Loans to related parties ¹	116.3	69.6	1,431.3	1,060.9
Carrying amount at the end of the year	118.8	71.9	1,431.3	1,060.9

1. Refer to note 21 for details of amounts due from and loans to related parties.

2. The comparative figures have been restated to reflect the allocation of certain receivables to contract assets in accordance with AASB 15.

8 Contract balances

Contract assets primarily comprise amounts recoverable from fixed price development contracts (disclosed net of any payments received on account) and accrued performance fee income where the Consolidated Entity assesses that the income can be reliably measured.

Contract liabilities primarily comprise consideration received in advance of the completion of development contracts and rental guarantees.

The following table provides an analysis of receivables from contracts with customers (excluding rental income receivables), contract assets and contract liabilities at the reporting dates:

	Goodman	
	2019 \$M	2018 \$M
Current		
Receivables, which are included in trade receivables, other receivables and amounts due from related parties	145.2	204.9
Contract assets	308.1	145.4
Contract liabilities	6.0	22.7
Non-current		
Contract liabilities	3.0	3.7

Significant changes in the contract assets and the contract liabilities balances during the year are set out below:

	Goodman			
	2019		2018	
	Contract assets \$M	Contract liabilities \$M	Contract assets \$M	Contract liabilities \$M
Balance at the beginning of the year	145.4	26.4	325.3	22.1
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(17.6)	–	(15.2)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	–	18.3
Transfers from contract assets to receivables	(481.2)	–	(628.1)	–
Increase due to changes in the measure of progress during the year	635.1	–	433.2	–
Effect of foreign currency translation	8.8	0.2	15.0	1.2
Balance at the end of the year	308.1	9.0	145.4	26.4
Current contract assets and liabilities	308.1	6.0	145.4	22.7
Non-current contract liabilities	–	3.0	–	3.7
	308.1	9.0	145.4	26.4

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

8 Contract balances (continued)

Transaction price allocated to the remaining contract obligations

The amount of the transaction price allocated to the remaining performance obligations under the Consolidated Entity's existing contracts is \$27.9 million. This amount represents revenue expected to be recognised in the future from ongoing management and fixed price development contracts with customers. The Consolidated Entity will recognise the expected revenue in the future as the work is completed, which is expected to be within the next twelve months.

Details regarding Goodman's future rental income associated with existing lease agreements is included in note 6.

In addition, Goodman receives investment management, development management and property services fees under various contracts that it has with its Partnerships. These contracts are for varying lengths of time and are typically transacted on terms that are consistent with market practice. The revenues under these contracts are linked to the assets under management, total development project costs or gross property income of Partnerships and are invoiced as the services are provided.

9 Payables

Trade and other payables are recognised initially at trade date fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Trade and other payables are derecognised when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	Goodman		GIT	
	2019	2018 Restated ¹	2019	2018 Restated ¹
	\$M	\$M	\$M	\$M
Current				
Trade payables	73.2	67.5	3.0	2.0
Other payables and accruals	380.1	332.3	118.4	67.5
Rental income received in advance	–	–	1.4	1.8
Loans from related parties ²	–	–	584.8	471.6
	453.3	399.8	707.6	542.9
Non-current				
Other payables and accruals	169.5	187.4	50.0	130.4
Loans from related parties ²	–	–	102.3	335.0
	169.5	187.4	152.3	465.4

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

2. Refer to note 21 for details of amounts due from and loans to/from related parties.

10 Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Current					
Dividends/distributions to Securityholders	16	272.1	256.6	181.4	166.6
Other provisions		12.9	13.9	–	–
		285.0	270.5	181.4	166.6
Non-current					
Net defined benefit superannuation funds in the United Kingdom		18.5	25.1	–	–
Other provisions		8.8	9.2	–	–
		27.3	34.3	–	–

11 Goodwill and intangible assets

Goodman recognises both goodwill and indefinite life management rights in its statement of financial position.

Goodwill

Goodwill arising on the acquisition of controlled entities is stated at cost less any accumulated impairment losses (refer below). No amortisation is provided.

Management rights

When fund and/or investment management activities are acquired as part of a business combination, management rights are recorded where they arise from contractual or other legal rights, and the fair value can be measured reliably.

Management rights are stated at cost less impairment. Management rights are not amortised as they are assumed to have an indefinite life given they are routinely renewed at minimal cost and on broadly similar terms.

Impairment

The carrying amounts of goodwill and management rights are tested annually for impairment. For the purpose of impairment testing, goodwill and management rights are allocated to the related cash-generating units monitored by management. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Recoverable amount is the greater of the fair value (net of disposal costs) and the value in use but given that goodwill and management rights are not frequently traded (i.e. fair value is difficult to ascertain), the recoverable amount will be equal to the value in use of the cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

11 Goodwill and intangible assets (continued)

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the goodwill allocated to the cash-generating unit, then to the carrying amount of the management rights allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss for management rights is reversed only to the extent that its carrying amount does not exceed its original cost.

A summary of Goodman's goodwill and intangible assets are set out by below:

	2019 \$M	2018 \$M
Goodwill	730.8	712.3
Management rights	109.2	104.4
	840.0	816.7

The carrying value of goodwill and intangible assets is analysed by division in the table below:

	2019 \$M	2018 \$M
Analysed:		
Goodwill		
Continental Europe – Logistics	615.9	600.5
United Kingdom – Logistics	89.2	87.9
Other	25.7	23.9
Subtotal – goodwill	730.8	712.3
Management rights		
Continental Europe – Logistics	35.0	34.1
Other	74.2	70.3
Subtotal – management rights	109.2	104.4
Total	840.0	816.7

A reconciliation of the movement in the cost of goodwill and management rights during the financial year is set out below:

Cost	Balance at 30 June 2017	Disposals	Effect of foreign currency translation	Balance at 30 June 2018	Effect of foreign currency translation	Balance at 30 June 2019
	\$M	\$M	\$M	\$M	\$M	\$M
Goodwill						
Continental Europe – Logistics	572.3	–	35.7	608.0	15.6	623.6
United Kingdom – Logistics	120.7	–	6.4	127.1	1.9	129.0
Other	29.9	–	1.5	31.4	2.0	33.4
Subtotal – goodwill	722.9	–	43.6	766.5	19.5	786.0
Management rights						
Continental Europe – Logistics	32.2	–	1.9	34.1	0.9	35.0
United Kingdom – Business Parks	176.8	(186.2)	9.4	–	–	–
Other	78.8	–	2.7	81.5	4.2	85.7
Subtotal – management rights	287.8	(186.2)	14.0	115.6	5.1	120.7
Total	1,010.7	(186.2)	57.6	882.1	24.6	906.7

A reconciliation of the movement in the impairment losses during the financial year is set out below:

Impairment losses	Balance at 30 June 2017	Disposals	Effect of foreign currency translation	Balance at 30 June 2018	Effect of foreign currency translation	Balance at 30 June 2019
	\$M	\$M	\$M	\$M	\$M	\$M
Goodwill						
Continental Europe – Logistics	7.1	–	0.4	7.5	0.2	7.7
United Kingdom – Logistics	37.2	–	2.0	39.2	0.6	39.8
Other	7.1	–	0.4	7.5	0.2	7.7
Subtotal – goodwill	51.4	–	2.8	54.2	1.0	55.2
Management rights						
United Kingdom – Business Parks	176.9	(186.3)	9.4	–	–	–
Other	10.5	–	0.7	11.2	0.3	11.5
Subtotal – management rights	187.4	–	10.1	11.2	0.3	11.5
Total	238.8	–	12.9	65.4	1.3	66.7

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

11 Goodwill and intangible assets (continued)

Impairments and reversals of impairments

There were no impairment losses or reversals of impairment losses during either the current or prior financial year.

Impairment testing for intangible assets

The carrying values of both goodwill and indefinite life management rights are assessed for impairment annually. For the purpose of impairment testing, goodwill and indefinite life management rights are allocated to the Goodman divisions that represent the lowest level within Goodman at which the goodwill and indefinite life management rights are monitored for internal management purposes. Where goodwill and management rights arise in the same division, impairment testing has been performed on the combined intangible asset.

The impairment tests for all intangible assets are based on each division's value in use. Value in use is determined by discounting the future cash flows generated from continuing operations. These cash flows are based on both investment and development forecasts and then estimating a year five terminal value using a terminal growth rate and the division's discount rate.

The estimation of future cash flows requires assumptions to be made regarding uncertain future events. The cash flows associated with management rights require management to make assumptions regarding the period over which the future fee income streams continue to be received, the likelihood of renewal at minimal cost of contractual agreements to manage partnerships, and the future financial performance of Partnerships which generate those future fee income streams. The cash flows associated with goodwill are often similar to management rights but may also include cash flows from other development activities undertaken by the businesses.

One of the key assumptions in relation to the impairment testing is that Goodman's management contracts are assessed to have an indefinite life given that these contracts have been typically renewed at minimal cost and on broadly similar financial terms.

A summary of the other key assumptions for those divisions where the carrying amount of goodwill or indefinite life management rights was significant in comparison with Goodman's total carrying amount of intangible assets is set out below.

All amounts were calculated in local currency and translated to Australian dollars at the closing exchange rate at the end of the financial period. Averages related to average amounts over the five year forecast period.

		Continental Europe – Logistics	United Kingdom – Logistics
Value in use (A\$M) ¹	2019	1,388.1	138.4
	2018	1,201.8	261.2
Pre-tax discount rate (per annum)	2019	11.1%	9.5%
	2018	11.5%	9.1%
Average annual development (million square metres)	2019	0.77	0.18
	2018	0.71	0.15
Average annual growth in assets under management (AUM) ²	2019	7.9%	39.2%
	2018	8.7%	27.3%

1. When assessing a potential impairment, the value in use was compared against the sum of the intangible asset balance and the plant and equipment balance for each division.

2. AUM growth rate in United Kingdom – Logistics reflects the projected growth in GUKP. This assumes that current equity commitments from Goodman and its investment partners will be fully drawn, with additional funding either from new equity or debt facilities.

The key drivers of value in respect of the intangible assets are:

- + development cash flows, which are impacted by development volumes and margins; and
- + management cash flows, which are primarily related to AUM in Partnerships.

The decrease in the United Kingdom – Logistics value in use compared to the prior year was due to the assumption in the current year assessment that all development activities during the forecast period will be on GUKP's balance sheet. This will be the focus over the medium term given the strategic acquisitions during FY19. In the prior year assessment, development activity comprised both development on Goodman's own balance sheet and development in GUKP.

Discount rates

The post-tax discount rates were determined using the capital asset pricing model, with individual assumptions referenced to market data, where available, and adjusting for specific factors associated with each division. A risk premium was included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division. The value in use was determined using the after-tax cash flows and the post-tax discount rates, with the discount rates then converted to the equivalent pre-tax rates.

Development activity and margins

Demand for modern, well-located industrial product in both Continental Europe and the United Kingdom continues to be driven by customers' desire to adopt more efficient distribution methods and be closer to the end consumer. Earnings forecasts for each division include projects which have not yet been contracted. Margins from development activity are expected to be consistent with those achieved historically.

Continental Europe – Logistics

The forecasts assume the development starts (by area) over the five year period are 0.77 million square metres each year, consistent with historical performance. The majority of development is expected to be undertaken on Goodman's own balance sheet and sold to Partnerships. The estimated total cash outflow (from Goodman and its Partnerships) required to finance the assumed development pipeline across the forecast period is A\$1.02 billion per annum.

United Kingdom – Logistics

Investor demand has remained strong for well-let assets in core locations. The division's development activity over the next five years is forecast to be 0.18 million square metres per annum (on average), which will be undertaken by GUKP, with Goodman earning development management fee income. The estimated cash outflow (from Goodman and its Partnerships) required to finance the assumed development pipeline across the forecast period is on average A\$0.30 billion per annum.

Sources of funding for development activity

Capital inflows required to fund acquisitions and development activity in both divisions are assumed to arise from the following sources: equity investment directly into Partnerships (including distribution reinvestment plans) by Goodman and its investment partners; lending facilities advanced to Partnerships; debt capital markets; customer-funded turnkey developments; and proceeds from disposals of assets. It is not practicable to determine the percentage of the total which will flow from each source.

Funds available to Goodman and its investment partners are assumed to be sourced from available global markets and are not limited to lending markets in the regions to which the relevant intangible asset relates.

The cash flow forecasts have not assumed a downturn in earnings that might arise in the event of severe adverse market conditions.

AUM

For Continental Europe – Logistics, the average annual increase in AUM of 7.9% (2018: 8.7%) over the forecast period is broadly consistent with the prior year forecasts and assumes that development activity is maintained. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

For United Kingdom – Logistics, the forecasts assume that over the next five years, the division will increase its AUM from £0.3 billion to approximately £1.7 billion, as GUKP draws down committed equity from its investors to fund the expected development activity. This reflects the development of the sites that have been acquired during FY19, with further acquisitions assumed over the forecast period. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

11 Goodwill and intangible assets (continued)

Assumptions impacting the terminal year

		Continental Europe – Logistics	United Kingdom – Logistics
Growth rate applied to future cash flows (per annum)	2019	1.0%	1.6%
	2018	1.0%	1.5%
Development in terminal year (million square metres)	2019	0.70	0.18
	2018	0.70	0.17
Development in terminal year (cost in A\$B)	2019	0.99	0.36
	2018	0.76	0.32

Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast. For both Continental Europe – Logistics and United Kingdom – Logistics, the growth rate was based on the average consumer price indices over the past five years. For Continental Europe – Logistics, a weighted average was estimated based on the value of AUM for each of the countries in which Goodman operated.

The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within Partnerships. The cost of developments in Australian dollars has remained relatively stable.

CAPITAL MANAGEMENT

The notes in this section focus on Goodman and GIT's financing activities, capital structure and management of the financial risks involved.

12 Net finance (expense)/income

Interest income and expense are recognised using the effective interest rate method.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Finance income				
Interest income from:				
– Related parties	0.4	0.8	79.3	93.1
– Other parties	39.1	34.5	36.4	31.1
Fair value adjustments on derivative financial instruments	6.7	–	38.5	–
Foreign exchange gains ¹	–	–	13.2	50.2
	46.2	35.3	167.4	174.4
Finance expense				
Interest expense from third party loans, overdrafts and derivatives	(91.8)	(87.7)	(89.5)	(68.8)
Interest expense from related party loans	–	–	(19.6)	(12.6)
Debt restructure expense	–	(82.8)	–	(82.8)
Other borrowing costs	(7.7)	(9.7)	(5.0)	(7.8)
Fair value adjustments on derivative financial instruments	–	(131.4)	–	(120.8)
Foreign exchange losses ¹	(10.3)	(8.5)	–	–
Capitalised borrowing costs ²	14.3	17.5	–	–
	(95.5)	(302.6)	(114.1)	(292.8)
Net finance (expense)/income	(49.3)	(267.3)	53.3	(118.4)

1. The net foreign exchange gains/(losses) in Goodman and GIT included unrealised losses of \$10.1 million (2018: losses of \$8.7 million) relating to the translation of USD denominated notes which do not qualify for net investment hedging.

2. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.5% and 4.9% per annum (2018: 0.9% and 5.9% per annum).

Notes to the consolidated financial statements

Capital management (continued)

13 Interest bearing liabilities

Interest bearing liabilities comprise bank loans, notes issued in the capital markets and private placements. Interest bearing liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method.

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Current					
Secured:					
– Bank loans	13(a)	–	7.1	–	–
Borrowing costs		–	(0.1)	–	–
Unsecured:					
– GBP denominated notes	13(c)	–	215.9	–	215.9
		–	222.9	–	215.9
Non-current					
Secured:					
– Bank loans	13(a)	–	21.2	–	–
Unsecured:					
– Bank loans	13(b)	112.4	91.6	–	–
– USD denominated notes	13(d)	1,904.9	1,823.5	1,904.9	1,823.5
– EUR denominated notes	13(e)	810.0	789.6	810.0	789.6
– Foreign private placement	13(f)	165.3	152.6	165.3	152.6
Borrowing costs		(17.6)	(19.9)	(15.9)	(16.7)
		2,975.0	2,858.6	2,864.3	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 year.

(b) Bank loans, unsecured

Facility maturity date	Goodman		GIT	
	Facility limit \$M	Amounts drawn \$M	Facility limit \$M	Amounts drawn \$M
31 Jul 2019	90.5	–	90.5	–
1 Jul 2023	50.0	–	50.0	–
31 Jul 2024	142.6	–	142.6	–
31 Mar 2023	75.0	–	75.0	–
30 Sep 2024	53.5	–	53.5	–
30 Sep 2024	37.5	–	37.5	–
30 Sep 2022	105.8	42.6	–	–
30 Sep 2022	198.3	69.8	–	–
30 Sep 2022	198.3	–	–	–
30 Jun 2024	75.0	–	75.0	–
31 Dec 2023	50.0	–	50.0	–
31 Dec 2024	121.5	–	121.5	–
30 Jun 2019	1,198.0	112.4	695.6	–
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

As 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 during the year.

Notes to the consolidated financial statements

Capital management (continued)

13 Interest bearing liabilities (continued)

(d) USD denominated notes

As at 30 June 2019, 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) per annum
	A\$M	US\$M	A\$M	US\$M	
15 Apr 2021	263.5	184.7	248.9	174.5	6.375%
22 Mar 2022	429.0	300.8	398.3	279.3	6.000%
15 Mar 2028	748.8	525.0	748.8	525.0	3.700%
15 Oct 2037	463.6	325.0	463.6	325.0	4.500%
30 Jun 2019	1,904.9	1,335.5	1,859.6	1,303.8	
30 Jun 2018	1,823.5	1,348.4	1,763.3	1,303.8	

(e) EUR denominated notes

As at 30 June 2019, Goodman and GIT had A\$810.0 million (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 placements

As at 30 June 2019, Goodman and GIT had A\$165.3 million (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.

(g) Finance facilities

	Goodman		GIT	
	Facilities available \$M	Facilities utilised \$M	Facilities available \$M	Facilities utilised \$M
30 June 2019				
Unsecured:				
– Bank loans	1,198.0	112.4	695.6	–
– USD denominated notes ¹	1,859.6	1,859.6	1,859.6	1,859.6
– EUR denominated notes	810.0	810.0	810.0	810.0
– Foreign private placement	165.3	165.3	165.3	165.3
– Bank guarantees ²	–	22.5	–	–
	4,032.9	2,969.8	3,530.5	2,834.9
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 USD denominated notes represent the face value of the notes on issue and exclude the fair value adjustment of A\$45.2 million (2018: A\$60.2 million) that is being amortised over the period to maturity.

2. Bank guarantees are drawn from facilities available under unsecured bank loans. The guarantees are not reflected as a liability in the statements of financial position.

Notes to the consolidated financial statements

Capital management (continued)

14 Other financial assets and liabilities

Other financial assets and liabilities primarily comprise derivative financial instruments that are recognised initially on the trade date at which Goodman and GIT become a party to the contractual provisions of the instrument.

Derivative financial instruments and hedging

Goodman and GIT use derivative financial instruments to hedge their economic exposure to foreign exchange and interest rate risks arising from operating, investing and financing activities. In accordance with the Group's Financial Risk Management policy, Goodman and GIT do not hold or issue derivative financial instruments for speculative trading purposes.

Goodman and GIT's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly movements in the fair value of derivative financial instruments are recognised in the income statement.

Cash flow hedges

Certain of Goodman and GIT's associates and JVs continue to designate derivative financial instruments as cash flow hedges for accounting purposes. Goodman's and GIT's share of the effective portion of changes in the fair value of derivative financial instruments in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Current				
Derivative financial instruments	1.3	1.6	1.3	1.6
	1.3	1.6	1.3	1.6
Non-current				
Derivative financial instruments ¹	337.7	187.1	373.9	198.0
Investment in unlisted securities, at fair value	2.7	0.7	25.1	22.6
	340.4	187.8	399.0	220.6

1. Includes fair values of derivative financial instruments equating to \$222.4 million (2018: \$154.3 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Other financial liabilities

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Current				
Derivative financial instruments	12.1	54.5	12.1	54.5
	12.1	54.5	12.1	54.5
Non-current				
Derivative financial instruments ¹	236.4	94.4	229.7	94.4
	236.4	94.4	229.7	94.4

1. Includes fair values of derivative financial instruments equating to \$123.6 million (2018: \$31.9 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

15 Financial risk management

The Directors have ultimate responsibility for Goodman's financial risk management (FRM) processes and have established policies, documented in the FRM policy, to manage Goodman's exposure to financial risks and to utilise capital in an efficient manner.

Goodman's treasury function is responsible for monitoring the day to day compliance with the Group's FRM policies and prepares reports for consideration by management committees and the Board including:

- + cash flow projections over a period of at least 12 months to assess the level of cash and undrawn facilities, and headline gearing at each month end;
- + debt maturity profile, to allow the Group to plan well in advance of maturing facilities;
- + interest rate hedge profile over the next ten years, to allow the Group to manage the proportion of fixed and floating rate debt in accordance with its FRM policy; and
- + capital hedge position (by currency) and profile of expiring currency derivatives, to allow the Group to manage its net investment hedging in accordance with its FRM policy.

Any significant investments or material changes to the finance facilities or FRM policies require approval by the Board.

Capital management

Goodman's principal capital management objectives are to maintain a strong capital base and provide funds for operating activities (including development expenditure), capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt and equity.

Goodman is able to alter the capital mix by issuing new Goodman debt and equity securities or hybrid securities, through the operation of a distribution reinvestment plan, adjusting the timing of development and capital expenditure and selling assets to reduce borrowings. Goodman also manages capital through its distribution policy in which distributions made to Securityholders are based on the Group's operating profit, subject to a minimum distribution equal to the taxable income of the Trust.

Goodman's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

Goodman is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, China, Japan, Continental Europe, the United Kingdom, North America and Brazil. Foreign exchange risk represents the gain or loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of Goodman's net investment in foreign operations, future commercial transactions, and other foreign currency denominated assets and liabilities.

Notes to the consolidated financial statements

Capital management (continued)

15 Financial risk management (continued)

In managing foreign exchange risks, Goodman aims to reduce the impact of short-term fluctuations on Goodman's earnings and net assets. However, over the long term, permanent changes in foreign exchange rates will have an impact on both earnings and net assets.

Goodman's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same currency as the overseas investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and foreign exchange contracts (FEC).

The Group's hedge position is monitored on an ongoing basis and the Group will enter into new derivatives (including forward start contracts) and close out or enter into contra derivative contracts to manage the capital hedge position.

As at 30 June 2019, the principal that was used to hedge its exposures using derivatives and the weighted average exchange rates, by currency, are set out below:

Goodman and GIT

	2019			2018		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	NZD'M	A\$M	AUD/NZD	NZD'M	A\$M	AUD/NZD
AUD receivable/NZD payable	(400.0)	368.3	1.0864	(300.0)	274.2	1.0943
	HKD'M	A\$M	AUD/HKD	HKD'M	A\$M	AUD/HKD
AUD receivable/HKD payable	(4,690.0)	817.7	5.7382	(3,390.0)	571.0	5.9927
	EUR'M	A\$M	AUD/EUR	EUR'M	A\$M	AUD/EUR
AUD receivable/EUR payable ¹	(495.0)	803.0	0.6165	(420.0)	615.4	0.6851
	GBP'M	A\$M	AUD/GBP	GBP'M	A\$M	AUD/GBP
AUD receivable/GBP payable	(280.0)	496.6	0.5660	(80.0)	136.3	0.5869
	USD'M	A\$M	AUD/USD	USD'M	A\$M	AUD/USD
AUD receivable/USD payable	(450.0)	634.6	0.7092	-	-	-
	JPY'M	A\$M	AUD/JPY	JPY'M	A\$M	AUD/JPY
AUD receivable/JPY payable	(13,000.0)	168.9	77.0115	-	-	-
	CNY'M	USD'M	USD/CNY	CNY'M	USD'M	USD/CNY
USD receivable/CNY payable	(2,649.0)	372.1	7.1189	(1,590.5)	217.6	7.3091

1. The AUD/EUR CCIRS were held by GLHK at 30 June 2019. At 30 June 2018, the AUD/EUR CCIRS were held by GIT.

In prior years, Goodman entered into both USD/EUR and USD/GBP CCIRS to provide a capital hedge against assets denominated in EUR and GBP. As the Group's investment in North America has increased, the capital hedge positions have been reassessed to comply with the specified policy ranges and at 30 June 2019, the net USD/EUR and USD/GBP exposure was nil:

	2019			2018		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
	EUR'M	USD'M	USD/EUR	EUR'M	USD'M	USD/EUR
USD receivable/EUR payable	-	-	-	(76.5)	95.0	0.8048
	GBP'M	USD'M	USD/GBP	GBP'M	USD'M	USD/GBP
USD receivable/GBP payable	-	-	-	(112.5)	160.0	0.7033

In addition to the derivatives detailed in the table above, GIT also has a FEC with a controlled entity of GL to hedge that entity's USD exposure. On maturity of the contract, GIT will receive USD 240.0 million from GL and pay GBP 156.2 million to GL.

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% stronger against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A\$56.0 million (2018: A\$40.4 million decrease) for Goodman and A\$18.0 million (2018: A\$19.8 million decrease) for GIT. If the Australian dollar had been 5% weaker against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A\$56.0 million (2018: A\$40.4 million increase) for Goodman and A\$18.0 million (2018: A\$19.8 million increase) for GIT.

Interest rate risk

Goodman's interest rate risk arises from variable rate borrowings and the Group's CCIRS that hedge the overseas investments. Goodman adopts a policy of hedging such that between 60% and 100% of its current year exposure to changes in interest rates on borrowings is on a fixed rate basis. Goodman enters into interest rate derivatives (IRD), comprising both interest rate swaps and interest rate caps, to manage cash flow risks associated with the interest rates on borrowings that are floating. The IRD contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest.

Notes to the consolidated financial statements

Capital management (continued)

15 Financial risk management (continued)

As at 30 June 2019, Goodman and GIT's interest rate risk exposure based on existing interest bearing liabilities and derivative financial instruments is set out below:

Goodman

	Interest bearing liabilities	Interest rate exposure arising from CCIRS ¹	Hedging impact from IRD	Net interest rate exposure
	A\$M	A\$M	A\$M	A\$M
30 June 2019				
Fixed rate liabilities	2,880.2	–	176.9	3,057.1
Floating rate liabilities	112.4	72.8	(176.9)	8.3
	2,992.6	72.8	–	3,065.4
30 June 2018				
Fixed rate liabilities	2,981.6	(344.9)	222.3	2,859.0
Floating rate liabilities	119.9	346.2	(222.3)	243.8
	3,101.5	1.3	–	3,102.8

1. The Group's CCIRS may give rise to interest rate exposure as a result of the difference between the principal in A\$ calculated at year end spot rate and the principal in A\$ calculated at the contract rate. The impact on the Group's interest rate exposure is more significant at 30 June 2019 compared to the prior year due to the increased A\$ principal associated with the CCIRS and the weakening Australian dollar.

GIT

	Interest bearing liabilities	Interest rate exposure arising from CCIRS	Hedging impact from IRD	Net interest rate exposure
	A\$M	A\$M	A\$M	A\$M
30 June 2019				
Fixed rate liabilities	2,880.2	–	176.9	3,057.1
Floating rate liabilities	–	73.9	(176.9)	(103.0)
	2,880.2	73.9	–	2,954.1
30 June 2018				
Fixed rate liabilities	2,981.6	(344.9)	222.3	2,859.0
Floating rate liabilities	–	346.2	(222.3)	123.9
	2,981.6	1.3	–	2,982.9

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that exist at 30 June 2019, Goodman and GIT would have the following fixed interest rate exposure at the end of each of the next five financial years. This assumes all interest bearing liabilities and derivative financial instruments mature in accordance with current contractual terms.

Number of years post balance date	2019		2018	
	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum
1 year	2,962.9	3.52	2,380.6	3.04
2 years	2,834.6	3.42	2,173.3	3.05
3 years	2,448.3	3.11	1,931.4	3.05
4 years	2,346.5	2.64	1,690.3	2.81
5 years	2,188.1	2.53	1,762.8	2.68

Sensitivity analysis

Throughout the financial year, if interest rates on borrowings (based on the interest bearing liabilities and derivative financial instruments in place at the end of the year) had been 100 basis points higher/lower, with all other variables held constant, the profit attributable to Securityholders would have decreased/increased by A\$0.1 million (2018: A\$2.4 million) for Goodman and increased/decreased by A\$1.0 million (2018: decreased/increased by A\$1.2 million) for GIT.

Price risk

Goodman and GIT are not materially exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that Goodman will not be able to meet its financial obligations as they fall due. Goodman's objective is to maintain sufficient liquidity to fund short term working capital, capital expenditure, investment opportunities, debt expiries and distributions. This is achieved through the monthly preparation of a three year cash flow forecast to understand the uses of funds and to identify potential shortfalls in funding. This allows Goodman to plan for renewal of debt facilities, negotiation of new debt facilities, new issues of securities, including the distribution reinvestment plan, and other potential sources of funding.

Goodman's treasury function is responsible for reporting details of all debt maturities to the Board at its regular meetings.

Goodman seeks to spread its debt maturities such that the total debt repayable in a single financial year does not exceed Board approved policy levels.

Notes to the consolidated financial statements

Capital management (continued)

15 Financial risk management (continued)

The contractual maturities of financial liabilities are set out below:

Goodman	Carrying amount \$M	Contractual cash flows \$M	Less than 1 year \$M	1 – 2 year(s) \$M	2 – 3 years \$M	3 – 4 years \$M	4 – 5 years \$M	More than 5 years \$M
As at 30 June 2019								
Non-derivative financial liabilities								
Payables	622.8	622.8	453.3	44.6	32.7	27.9	30.8	33.5
Bank loans, unsecured ¹	112.4	112.4	–	–	–	112.4	–	–
USD denominated notes, unsecured	1,904.9	2,598.5	110.6	334.0	464.3	48.6	48.6	1,592.4
EUR denominated notes, unsecured	810.0	887.8	19.6	11.1	11.1	11.1	11.1	823.8
Foreign private placements, unsecured	165.3	187.2	6.8	5.5	5.5	169.4	–	–
Total non-derivative financial liabilities	3,615.4	4,408.7	590.3	395.2	513.6	369.4	90.5	2,449.7
Derivative financial (assets)/ liabilities – net								
Net settled ²	(83.8)	(106.9)	(14.3)	(37.5)	(26.5)	(9.6)	(7.9)	(11.1)
Gross settled³:								
(Inflow)	(6.7)	(603.8)	(98.6)	(95.1)	(111.9)	(102.7)	(130.1)	(65.4)
Outflow	–	645.0	98.5	92.2	97.4	115.9	95.8	145.2
Total derivative financial (assets)/ liabilities – net	(90.5)	(65.7)	(14.4)	(40.4)	(41.0)	3.6	(42.2)	68.7
As at 30 June 2018								
Non-derivative financial liabilities								
Payables ⁴	587.2	587.2	399.8	124.8	23.5	10.5	5.8	22.8
Bank loans, secured	28.3	28.3	7.2	–	–	–	–	21.1
Bank loans, unsecured ¹	91.6	91.6	–	–	–	–	91.6	–
GBP denominated notes, unsecured	215.9	236.8	236.8	–	–	–	–	–
USD denominated notes, unsecured	1,823.5	2,558.2	105.4	85.2	317.8	441.1	46.7	1,562.0
EUR denominated notes	789.6	877.7	19.3	11.0	11.0	11.0	11.0	814.4
Foreign private placements, unsecured	152.6	178.3	6.4	5.2	5.1	5.1	156.5	–
Total non-derivative financial liabilities	3,688.7	4,558.1	774.9	226.2	357.4	467.7	311.6	2,420.3
Derivative financial (assets)/ liabilities – net								
Net settled ²	(21.3)	(8.1)	3.4	3.8	(14.6)	(1.5)	0.6	0.2
Gross settled³:								
(Inflow)	(18.5)	(583.7)	(91.4)	(97.5)	(103.6)	(98.6)	(69.8)	(122.8)
Outflow	–	581.4	108.6	67.7	72.6	133.4	102.6	96.5
Total derivative financial (assets)/ liabilities – net	(39.8)	(10.4)	20.6	(26.0)	(45.6)	33.3	33.4	(26.1)

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under Goodman's revolving loan facilities.

2. Net settled includes IRD and FEC.

3. Gross settled includes CCIRS.

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

The contractual maturities of financial liabilities are set out below:

GIT	Carrying amount \$M	Contractual cash flows \$M	Less than 1 year \$M	1 – 2 year(s) \$M	2 – 3 years \$M	3 – 4 years \$M	4 – 5 years \$M	More than 5 years \$M
As at 30 June 2019								
Non-derivative financial liabilities								
Payables	859.9	859.9	707.6	13.5	10.5	5.8	8.7	113.8
USD denominated notes, unsecured	1,904.9	2,598.5	110.6	334.0	464.3	48.6	48.6	1,592.4
EUR denominated notes, unsecured	810.0	887.8	19.6	11.1	11.1	11.1	11.1	823.8
Foreign private placements, unsecured	165.3	187.2	6.8	5.5	5.5	169.4	–	–
Total non-derivative financial liabilities	3,740.1	4,533.4	844.6	364.1	491.4	234.9	68.4	2,530.0
Derivative financial (assets)/ liabilities – net								
Net settled ¹	(83.8)	(106.9)	(14.3)	(37.5)	(26.5)	(9.6)	(7.9)	(11.1)
Gross settled ² :								
(Inflow)	(49.6)	(856.2)	(84.9)	(81.8)	(98.7)	(87.7)	(115.9)	(387.2)
Outflow	–	833.4	98.5	92.2	97.4	115.9	95.4	333.9
Total derivative financial (assets)/ liabilities – net	(133.4)	(129.7)	(0.7)	(27.1)	(27.8)	18.6	(28.4)	(64.4)
As at 30 June 2018								
Non-derivative financial liabilities								
Payables	1,008.3	1,008.3	542.9	402.8	23.5	10.5	5.8	22.8
GBP denominated notes, unsecured	215.9	236.8	236.8	–	–	–	–	–
USD denominated notes, unsecured	1,823.5	2,558.2	105.4	85.2	317.8	441.1	46.7	1,562.0
EUR denominated notes, unsecured	789.6	877.7	19.3	11.0	11.0	11.0	11.0	814.4
Foreign private placements, unsecured	152.6	178.3	6.4	5.2	5.1	5.1	156.5	–
Total non-derivative financial liabilities	3,989.9	4,859.3	910.8	504.2	357.4	467.7	220.0	2,399.2
Derivative financial (assets)/ liabilities – net								
Net settled ¹	(21.3)	(8.1)	3.4	3.8	(14.6)	(1.5)	0.6	0.2
Gross settled ² :								
(Inflow)	(18.4)	(583.7)	(91.4)	(97.5)	(103.6)	(98.6)	(69.8)	(122.8)
Outflow	–	581.4	108.6	67.7	72.6	133.4	102.6	96.5
Total derivative financial (assets)/ liabilities – net	(39.7)	(10.4)	20.6	(26.0)	(45.6)	33.3	33.4	(26.1)

1. Net settled includes IRD and FEC.

2. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Capital management (continued)

15 Financial risk management (continued)

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, which have been recognised on the statement of financial position, is equal to the carrying amount.

Goodman has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. Goodman evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance. Bank guarantees are accepted from financial institutions which have an investment grade credit rating from a major rating agency.

Concentration of credit risk may exist due to receivables in respect of the disposals of investment properties. The credit risk is minimised as legal title to the properties is only transferred upon receipt of proceeds and typically Goodman will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

In relation to material bank deposits, Goodman minimises credit risk by dealing with major financial institutions. The counterparty must have a long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

The credit risks associated with derivative financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment grade credit rating;
- + utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below); and
- + formally reviewing the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting or similar agreements

Goodman enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

As Goodman does not have any current legally enforceable right to offset, the fair values associated with derivative financial instruments have been presented gross in the statement of financial position. However, if a credit event occurred, the ISDA master netting off agreement would allow A\$209.6 million (2018: A\$89.2 million) and A\$207.2 million (2018: A\$89.2 million) of financial assets and financial liabilities in relation to Goodman's and GIT's respective derivative financial instruments to be offset.

(d) Fair values of financial instruments

The carrying amounts shown in the statement of financial position and fair values of financial assets and liabilities are as follows:

	Note	Goodman				GIT			
		Carrying amount 2019 \$M	Fair value 2019 \$M	Carrying amount 2018 \$M	Fair value 2018 \$M	Carrying amount 2019 \$M	Fair value 2019 \$M	Carrying amount 2018 \$M	Fair value 2018 \$M
Financial assets									
Cash and cash equivalents	18(a)	1,607.1	1,607.1	2,406.8	2,406.8	1,214.4	1,214.4	2,129.7	2,129.7
Receivables	7	356.4	356.4	536.5	536.5	3,269.8	3,269.8	3,169.9	3,169.9
Other financial assets:	14								
– Interest rate derivatives (IRD)		38.3	38.3	25.5	25.5	102.2	102.2	25.5	25.5
– Cross currency interest rate swaps (CCIRS)		259.3	259.3	135.8	135.8	176.3	176.3	135.8	135.8
– Foreign exchange contracts (FEC)		41.4	41.4	27.4	27.4	96.7	96.7	38.2	38.2
– Investments in unlisted securities		2.7	2.7	0.7	0.7	25.1	25.1	22.6	22.6
		2,305.2	2,305.2	3,132.7	3,132.7	4,884.5	4,884.5	5,521.7	5,521.7
Financial liabilities									
Payables	9	622.8	622.8	587.2	587.2	859.9	859.9	1,008.3	1,008.3
Interest bearing liabilities ¹	13	2,975.0	3,048.0	3,081.5	3,022.1	2,864.3	2,935.7	2,964.9	2,902.2
Other financial liabilities:	14								
– IRD		3.6	3.6	4.2	4.2	18.4	18.4	4.2	4.2
– CCIRS		212.8	212.8	117.6	117.6	187.8	187.8	117.6	117.6
– FEC		32.1	32.1	27.1	27.1	35.6	35.6	27.1	27.1
		3,846.3	3,919.3	3,817.6	3,758.2	3,966.0	4,037.4	4,122.1	4,059.4

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2019.

Notes to the consolidated financial statements

Capital management (continued)

15 Financial risk management (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 1(f)):

	Goodman				GIT			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2019								
Investment in unlisted securities	–	–	2.7	2.7	–	–	25.1	25.1
Derivative financial assets	–	339.0	–	339.0	–	375.2	–	375.2
	–	339.0	2.7	341.7	–	375.2	25.1	400.3
Derivative financial liabilities	–	248.5	–	248.5	–	241.8	–	241.8
	–	248.5	–	248.5	–	241.8	–	241.8
As at 30 June 2018								
Investment in unlisted securities	–	–	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

There were no transfers between the levels during the year.

Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by Goodman and GIT consist of IRD, 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.

16 Dividends and distributions

Dividends and distributions are recognised when they are declared and before deduction of any withholding tax. Any non-recoverable withholding tax is included in income tax.

Goodman

FY19 dividends/distributions

	Dividends/ distributions cents per security	Total amount \$M	Date of payment
GL	–	–	n/a
GIT			
– 31 Dec 2018	15.00	272.1	26 Feb 2019
– 30 Jun 2019	10.00	181.4	9 Sep 2019
GLHK	5.00	90.7	9 Sep 2019
	30.00	544.2	

FY18 dividends/distributions

	Dividends/ distributions cents per security	Total amount \$M	Date of payment
GL	–	–	n/a
GIT			
– 31 Dec 2017	13.75	247.6	26 Feb 2018
– 30 Jun 2018	9.25	166.6	29 Aug 2018
GLHK	5.00	90.0	29 Aug 2018
	28.00	504.2	

GIT

In FY19, GIT's distributions were 25.0 cents per security (2018: 23.0 cents per security) amounting to \$453.5 million (2018: \$414.2 million).

Notes to the consolidated financial statements

Capital management (continued)

16 Dividends and distributions (continued)

Movement in provision for dividends/distributions to Securityholders

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Balance at the beginning of the year	256.6	236.2	166.6	236.2
Provisions for dividends/distributions	544.2	504.2	453.5	414.2
Dividends/distributions paid	(528.7)	(483.8)	(438.7)	(483.8)
Balance at the end of the year	272.1	256.6	181.4	166.6

17 Issued capital

(a) Ordinary securities

Ordinary securities are classified as equity. Incremental costs directly attributable to issues of ordinary securities are recognised as a deduction from equity, net of any tax effects.

	Goodman				GIT	
	2019 Number of securities	2018	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Stapled securities – issued and fully paid	1,813,881,995	1,800,763,877	8,192.2	8,192.2	7,625.8	7,529.8
Less: Accumulated issue costs			(160.5)	(160.5)	(148.5)	(148.5)
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 the Trust and one CDI over a share in GLHK. Holders of stapled securities are entitled to receive dividends or distributions as declared from time to time and are entitled to one vote per security at Securityholders' meetings. In the event of a winding up, Securityholders rank after creditors and are fully entitled to any net proceeds of liquidation.

Movement in ordinary securities

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 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 LTIP	13,118,118	–	96.0
	Less: Accumulated issue costs		(160.5)	(148.5)
30 Jun 2019	Closing balance	1,813,881,995	8,031.7	7,477.3

(b) Share based payments

LTIP

The Group's share based payments primarily relate to performance rights awarded to employees under the LTIP. These performance rights entitle an employee to either acquire Goodman securities for \$nil consideration (equity settled performance rights) or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities (cash settled performance rights), subject to the vesting conditions having been satisfied. Further details regarding the vesting conditions are included in the remuneration report section of the Directors' report.

During the year, the movement in the number of equity settled and cash settled performance rights under the LTIP was as follows:

	Number of rights	
	2019	2018
Outstanding at the beginning of the year	75,434,623	71,270,400
Granted	21,486,688	20,180,899
Exercised	(14,925,092)	(12,835,205)
Forfeited	(2,934,056)	(3,181,471)
Outstanding at the end of the year	79,062,163	75,434,623
Exercisable at the end of the year	-	-

Share based payments transactions

The fair value of equity settled performance rights at the grant date is expensed with a corresponding increase in the employee compensation reserve over the vesting period. The expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to retained earnings/(accumulated losses).

The fair value of cash settled performance rights is also recognised as an expense but with a corresponding increase in liabilities over the vesting period. The expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The liability is remeasured at each reporting date and at the vesting date based on the fair value of the rights.

The fair value of services received in return for performance rights granted under the LTIP is measured by reference to the fair value of the performance rights granted. The fair value of the performance rights granted during the year was measured as follows:

- + operating EPS tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend/distribution yield; and
- + Relative TSR tranche: these rights were valued using a Monte Carlo model which simulated total returns for each of the ASX 100 stocks and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance.

Notes to the consolidated financial statements

Capital management (continued)

17 Issued capital (continued)

The model inputs for performance rights, both equity and cash settled, awarded during the current financial year included the following:

	Rights issued on 15 Nov 2018	Rights issued on 28 Nov 2018
Fair value at measurement date (\$)	8.72	8.52
Security price (\$)	10.33	10.36
Exercise price (\$)	–	–
Expected volatility (%)	18.27	18.65
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	2.71	2.70
Average risk free rate of interest per annum (%)	2.26	2.21

The amounts recognised as an expense are set out in note 2. At 30 June 2019, a liability of \$87.4 million (2018: \$45.1 million) was recognised in relation to cash settled performance rights.

Goodman's New Zealand Long Term Incentive Plan

Under Goodman's New Zealand Long Term Incentive Plan, employees receive approximately half of their LTI in the form of performance rights over GMT units that vest subject to meeting performance hurdles based on the achievement of distributable earnings targets by GMT and the relative total unitholder return from holding GMT units compared to other NZX property vehicles. On vesting, delivery of units in GMT is made from units held by Goodman or acquired on market.

OTHER ITEMS

The notes in this section sets out other information that is required to be disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

18 Notes to the cash flow statements

(a) Reconciliation of cash

For the purpose of the cash flow statements, cash and cash equivalents includes cash on hand at the bank and short-term deposits at call. Cash at the end of the year as shown in the cash flow statements is reconciled to the related items in the statements of financial position as follows:

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Bank balances	950.5	895.6	557.8	618.5
Call deposits	656.6	1,511.2	656.6	1,511.2
	1,607.1	2,406.8	1,214.4	2,129.7

(b) Reconciliation of profit for the year to net cash provided by operating activities

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Profit for the year	1,627.9	1,102.8	1,009.7	715.9
Items classified as investing activities				
Net gain on disposal of investment properties	(15.3)	(67.4)	(8.0)	(10.3)
Net gain on disposal of equity investments	(12.6)	(40.7)	(4.9)	(39.3)
Non-cash items				
Amortisation and depreciation	6.6	6.2	–	–
Share based payments expense	169.1	125.6	–	–
Net gain from fair value adjustments on investment properties	(146.8)	(71.1)	(142.3)	(56.0)
Share of net results of equity accounted investments	(1,132.5)	(910.9)	(816.6)	(733.7)
Net finance expense/(income)	49.3	267.3	(53.3)	118.4
Income tax expense	116.8	82.4	18.4	28.8
	662.5	494.2	3.0	23.8
Changes in assets and liabilities during the year:				
– (Increase)/decrease in receivables	(78.0)	160.2	0.2	(4.5)
– (Increase)/decrease in inventories	(8.1)	176.2	31.0	22.3
– Decrease/(Increase) in other assets	1.4	(17.1)	2.7	(0.8)
– Increase/(decrease) in payables	13.0	31.2	(1.0)	6.0
– Decrease in provisions	(11.7)	(12.0)	–	–
	579.1	832.7	35.9	46.8
Distributions/dividends received from equity accounted investments	365.4	465.3	225.6	340.2
Net finance costs paid, excluding cash outflow on debt restructure	(79.6)	(77.2)	(78.7)	(79.8)
Net income taxes (paid)/received	(37.4)	(59.6)	(1.5)	0.1
Net cash provided by operating activities	827.5	1,161.2	181.3	307.3

(c) Non-cash transactions

During the current and prior financial years, there were no significant non-cash transactions.

Notes to the consolidated financial statements

Other items (continued)

18 Notes to the cash flow statements (continued)

(d) Reconciliation of liabilities arising from financing activities

Goodman	Interest bearing liabilities	Derivative financial instruments	Provision for dividends/ distributions	Total
	\$M	\$M	\$M	\$M
Balance at 1 July 2017	2,878.3	(7.3)	236.2	3,107.2
Changes from financing cash flows				
Proceeds from borrowings	1,867.1	–	–	1,867.1
Payments on borrowings and derivative financial instruments	(1,508.6)	(170.0)	–	(1,678.6)
Cash outflow on debt restructure/modification	(162.2)	–	–	(162.2)
Distributions paid	–	–	(488.4)	(488.4)
Total changes from financing cash flows	196.3	(170.0)	(488.4)	(462.1)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(142.0)	–	–	(142.0)
Effect of changes in foreign exchange rates	79.7	5.8	–	85.5
Changes in fair value	(19.5)	131.7	–	112.2
Other changes				
Other borrowing costs	5.8	–	–	5.8
Debt restructure expense	82.9	–	–	82.9
Distributions declared	–	–	508.8	508.8
Total other changes	88.7	–	508.8	597.5
Balance at 30 June 2018	3,081.5	(39.8)	256.6	3,298.3
Changes from financing cash flows				
Proceeds from borrowings	12.6	–	–	12.6
Payments on borrowings and derivative financial instruments	(249.4)	(42.5)	–	(291.9)
Distributions paid	–	–	(528.7)	(528.7)
Total changes from financing cash flows	(236.8)	(42.5)	(528.7)	(808.0)
Effect of changes in foreign exchange rates	140.8	(1.5)	–	139.3
Changes in fair value	(14.9)	(6.7)	–	(21.6)
Other changes				
Other borrowing costs	4.4	–	–	4.4
Distributions declared	–	–	544.2	544.2
Total other changes	4.4	–	544.2	548.6
Balance at 30 June 2019	2,975.0	(90.5)	272.1	3,156.6

GIT	Interest bearing liabilities \$M	Derivative financial instruments \$M	Provision for distributions \$M	Loans with related parties, net \$M	Total \$M
Balance at 1 July 2017	2,576.3	(7.2)	236.2	(2,902.5)	(97.2)
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	956.5	956.5
Proceeds from borrowings	1,867.1	–	–	–	1,867.1
Payments on borrowings and derivative financial instruments	(1,445.5)	(170.0)	–	–	(1,615.5)
Cash outflow on debt restructure/modification	(162.2)	–	–	–	(162.2)
Distributions paid	–	–	(488.4)	–	(488.4)
Total changes from financing cash flows	259.4	(170.0)	(488.4)	956.5	557.5
Effect of changes in foreign exchange rates	59.7	5.9	–	(68.5)	(2.9)
Changes in fair value	(19.5)	120.6	–	–	101.1
Other changes					
Issue of units	–	–	–	(70.8)	(70.8)
Equity settled share based payments	–	–	–	(25.8)	(25.8)
Interest income	–	–	–	(93.1)	(93.1)
Interest expense	–	–	–	12.6	12.6
Interest paid	–	–	–	(19.1)	(19.1)
Other borrowing costs	6.2	–	–	–	6.2
Debt restructure expense	82.8	–	–	–	82.8
Distributions declared	–	–	418.8	–	418.8
Total other changes	89.0	-	418.8	(196.2)	311.6
Balance at 30 June 2018	2,964.9	(50.7)	166.6	(2,210.7)	870.1
Changes from financing cash flows					
Net cash flows from loans to related parties	–	–	–	(126.3)	(126.3)
Payments on borrowings and derivative financial instruments	(220.1)	(42.4)	–	–	(262.5)
Distributions paid	–	–	(438.7)	–	(438.7)
Total changes from financing cash flows	(220.1)	(42.4)	(438.7)	(126.3)	(827.5)
Effect of changes in foreign exchange rates	134.7	(1.9)	–	(24.2)	108.6
Changes in fair value	(17.9)	(38.4)	–	–	(56.3)
Other changes					
Issue of units	–	–	–	(96.0)	(96.0)
Equity settled share based payments	–	–	–	(30.4)	(30.4)
Interest income	–	–	–	(79.3)	(79.3)
Interest expense	–	–	–	19.6	19.6
Interest paid	–	–	–	(21.9)	(21.9)
Other borrowing costs	2.7	–	–	–	2.7
Distributions declared	–	–	453.5	–	453.5
Total other changes	2.7	-	453.5	(208.0)	248.2
Balance at 30 June 2019	2,864.3	(133.4)	181.4	(2,569.2)	343.1

Notes to the consolidated financial statements

Other items (continued)

19 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 is presented as non-controlling interests in the statement of financial position of the Group. The tables below in notes 19(a) and 19(b) provide an analysis of equity, profit for the year and total comprehensive income for the year attributable to each of Goodman Limited and the other entities stapled to Goodman Limited (non-controlling interests).

(a) Equity attributable to Goodman Limited

Attributable to Goodman Limited								
	Issued capital	Asset revaluation reserve	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	Total (Accumulated losses)/retained earnings	Total
	\$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 year								
Profit for the year	–	–	–	–	–	–	182.5	182.5
Other comprehensive (loss)/income								
Effect of foreign currency translation	–	–	(22.9)	–	(1.6)	(24.5)	–	(24.5)
Actuarial gains on defined benefit superannuation funds	–	–	–	–	6.9	6.9	–	6.9
Total comprehensive income/(loss) for the year, net of income tax	–	–	(22.9)	–	5.3	(17.6)	182.5	164.9
Transfers	–	–	–	(42.8)	–	(42.8)	42.8	–
Contributions by and distributions to owners								
Equity settled share based payments transaction	–	–	–	51.5	–	51.5	–	51.5
Balance at 30 June 2018	483.2	–	(50.8)	20.9	(26.1)	(56.0)	155.3	582.5
Total comprehensive income/(loss) for the year								
Profit for the year	–	–	–	–	–	–	242.8	242.8
Other comprehensive income/(loss)								
Effect of foreign currency translation	–	–	48.1	–	(0.4)	47.7	–	47.7
Actuarial losses on defined benefit superannuation funds	–	–	–	–	3.2	3.2	–	3.2
Total comprehensive income/(loss) for the year, net of income tax	–	–	48.1	–	2.8	50.9	242.8	293.7
Transfers	–	–	–	(52.6)	–	(52.6)	52.6	–
Contributions by and distributions to owners								
Equity settled share based payments transaction	–	–	–	60.0	–	60.0	–	60.0
Balance at 30 June 2019	483.2	–	(2.7)	28.3	(23.3)	2.3	450.7	936.2

(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 year									
Profit for the year	–	–	–	–	–	–	915.7	915.7	4.6
Other comprehensive (loss)/income									
Effect of foreign currency translation	–	(0.4)	(0.1)	217.6	–	217.1	–	217.1	–
Other changes	–	(0.4)	3.0	–	–	2.6	–	2.6	–
Total comprehensive (loss)/income for the year, net of income tax	–	(0.8)	2.9	217.6	–	219.7	915.7	1,135.4	4.6
Transfers	–	–	–	–	–	–	(1.2)	(1.2)	1.2
Contributions by and distributions to owners									
Distributions on stapled securities	–	–	–	–	–	–	(504.2)	(504.2)	–
Distributions on Goodman PLUS	–	–	–	–	–	–	–	–	(4.6)
Equity settled share based payments transaction	–	–	–	–	30.9	30.9	–	30.9	–
Repurchase of Goodman PLUS	–	–	–	–	–	–	–	–	(327.0)
Balance at 30 June 2018	7,548.5	(6.9)	1.5	96.1	150.3	241.0	801.7	8,591.2	–
Total comprehensive (loss)/income for the year									
Profit for the year	–	–	–	–	–	–	1,385.1	1,385.1	–
Other comprehensive (loss)/income									
Effect of foreign currency translation	–	(0.2)	0.1	121.6	–	121.5	–	121.5	–
Other changes	–	–	(4.9)	–	–	(4.9)	–	(4.9)	–
Total comprehensive (loss)/income for the year, net of income tax	–	(0.2)	(4.8)	121.6	–	116.6	1,385.1	1,501.7	–
Contributions by and distributions to owners									
Distributions on stapled securities	–	–	–	–	–	–	(544.2)	(544.2)	–
Equity settled share based payments transaction	–	–	–	–	37.6	37.6	–	37.6	–
Balance at 30 June 2019	7,548.5	(7.1)	(3.3)	217.7	187.9	395.2	1,642.6	9,586.3	–

Notes to the consolidated financial statements

Other items (continued)

20 Controlled entities

Controlled entities are entities controlled by the Company. Under Australian Accounting Standards, the Company is identified as having acquired control over the assets of the Trust and GLHK. The consolidated financial statements incorporate the assets and liabilities of all controlled entities as at 30 June 2019 and the results of all such entities for the year ended 30 June 2019.

Where an entity either began or ceased to be controlled during the financial year, the results of that entity are included only from or to the date control commenced or ceased.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

The significant controlled entities of the Company are set out below:

	Country of establishment
GA Industrial Portfolio Trust	Australia
Goodman Australia Finance Pty Limited ¹	Australia
Goodman Capital Trust ¹	Australia
Goodman Europe Development Trust ¹	Australia
Goodman Finance Australia Trust ¹	Australia
Goodman Funding Pty Limited ¹	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust ¹	Australia
Goodman Ultimo Trust ¹	Australia
Moorabbin Airport Corporation Pty Ltd	Australia
Goodman Belgium NV	Belgium
Goodman Management Services (Belgium) NV	Belgium
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	Cayman Islands
MGI HK Finance ¹	Cayman Islands
Goodman Management Consulting (Beijing) Co. Ltd	China
Goodman Management Consulting (Shanghai) Co. Ltd	China

	Country of establishment
Goodman Czech Republic sro	Czech Republic
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Hong Kong Investment Trust	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Hungary Kft	Hungary
Goodman Italy S.R.L.	Italy
Goodman Japan Limited	Japan
Goodman Finance (Jersey) Limited ¹	Jersey
GELF Management (Lux) Sàrl	Luxembourg
Goodman Europe (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl ¹	Luxembourg
Goodman Finance Two (Lux) Sàrl ¹	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Meadow Logistics Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
Goodman Rowan Logistics S.à.r.l	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited ¹	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman Poland Sp zoo	Poland
Goodman Slovakia sro	Slovakia
Goodman Galaxy Holding BV	The Netherlands
Goodman Netherlands BV	The Netherlands
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Real Estate (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman Management USA Inc	United States
Goodman US Finance One, LLC ¹	United States
Goodman US Finance Two, LLC ¹	United States
Goodman US Finance Three, LLC ¹	United States
Goodman US Finance Four, LLC ¹	United States
Goodman US Finance Five, LLC ¹	United States
Tarpon Properties REIT Inc ¹	United States

1. Significant controlled entities of Goodman Industrial Trust.

21 Related parties

The names of key management personnel of Goodman at any time during the financial year are as follows:

Non-Executive Directors – GL and GFML

Ian Ferrier AM
 Christopher Green (appointed 28 April 2019)
 Stephen Johns
 Rebecca McGrath
 Phillip Pryke
 Jim Sloman (retired 15 November 2018)
 Penny Winn

Executive KMP

Gregory Goodman
 Anthony Rozic
 Danny Peeters
 Nick Kurtis
 Nick Vrondas
 Michael O'Sullivan

Non Executive Director – GLHK

David Collins

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Goodman		Company ¹	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Short-term employee benefits	7,253.7	6,931.5	–	–
Post-employment benefits	217.0	222.9	–	–
Equity compensation benefits	29,099.3	23,571.4	–	–
Long-term employee benefits	5,259.5	3,944.6	–	–
	41,829.5	34,670.4	–	–

1. The remuneration is paid by wholly-owned controlled entities of the Company.

GIT does not employ personnel in its own right. However, it is required to have an incorporated responsible entity to manage its activities and GFML is considered to be the key management personnel of GIT.

Individual Directors' and executives' compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report.

Notes to the consolidated financial statements

Other items (continued)

21 Related parties (continued)

Transactions with associates and JVs

The transactions with Partnerships during the financial year were as follows:

	Goodman					
	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to associates and JVs	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Associates	–	211,615.8	893,608.2	526,739.9	–	352.4
JVs	3,953.1	53,662.2	244,908.1	345,303.2	415.5	428.2

	GIT					
	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to associates and JVs	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Associates	–	6,464.8	–	–	–	–
JVs	–	–	–	–	–	132.3

Amounts due from Partnerships at 30 June 2019 were as follows:

	Goodman				GIT			
	Amounts due from related parties ¹		Loans provided by Goodman ²		Amounts due from related parties ¹		Loans provided by GIT ²	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Associates								
GAIP	68,582.9	158,511.3	–	–	–	125,812.2	–	–
GAP	3,196.4	2,452.8	–	–	–	–	–	–
GMT	2,498.1	17.5	–	–	–	–	–	–
GHKLP	161,545.6	36,938.8	–	–	–	–	–	–
GJCP	2,761.8	2,683.3	–	–	–	–	–	–
GEP	33,267.8	22,939.6	7,953.6	21,179.2	98.9	–	4,364.8	–
	271,852.6	223,543.3	7,953.6	21,179.2	98.9	125,812.2	4,364.8	–
JVs								
GCLP	38,367.8	57,915.6	–	–	–	–	–	–
Other JVs	23,158.4	14,183.8	108,357.3	52,575.7	2,888.5	2,864.7	23,944.3	6,575.2
	61,526.2	72,099.4	108,357.3	52,575.7	2,888.5	2,864.7	23,944.3	6,575.2

1. Amounts due from related parties include contract assets arising from transactions with related parties.

2. Loans provided by Goodman and GIT to associates and JVs have been provided on an arm's length basis.

Transactions between GIT and other Goodman entities

In accordance with the Trust's Constitution, GFML is entitled to be reimbursed where expenses have been incurred on behalf of the Trust:

	GIT	
	2019 \$000	2018 \$000
Reimbursement of expenses	49,544.1	44,521.0

As at 30 June 2019, no amounts were owed to GFML (2018: \$nil).

Other Goodman entities perform a number of services for GIT. The fees, costs and expenses for the services performed during the year were as follows:

	GIT	
	2019 \$000	2018 \$000
Management income	2,875.8	2,908.3
Development income	–	500.0
	2,875.8	3,408.3

In addition to the above, interest bearing loans exist between GIT and other Goodman entities. At 30 June 2019, interest bearing loans of \$3,226.3 million (2018: \$3,007.8 million) were receivable by GIT from other Goodman entities and \$676.4 million (2018: \$796.0 million) was payable by GIT to other Goodman entities. Loans to related Goodman entities bear interest at rates referenced to GIT's external funding arrangements.

22 Commitments

Goodman's operating lease commitments (as a lessee) are set out below:

	2019 \$M	2018 \$M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	18.8	16.6
– One year or later and no later than five years	35.8	30.6
– Later than five years	8.6	4.7
	63.2	51.9
Future inventory ground lease commitments not provided for in the financial statements and payable:		
– Within one year	1.1	1.8
– One year or later and no later than five years	4.6	11.0
– Later than five years	35.6	101.4
	41.3	114.2

GIT has no operating lease commitments as a lessee (2018: \$nil).

Notes to the consolidated financial statements

Other items (continued)

22 Commitments (continued)

Development activities

At 30 June 2019, Goodman was committed to expenditure in respect of \$277.9 million (2018: \$264.3 million) on inventories and other development activities. GIT has no such commitments (2018: \$nil).

Investment properties

At 30 June 2019, capital expenditure commitments on Goodman's existing investment property portfolio was \$100.9 million (2018: \$16.9 million). GIT has no such commitments (2018: \$nil).

Partnerships

At 30 June 2019, Goodman had a remaining equity commitment of \$64.8 million (2018: \$63.2 million) into GEP. This commitment also applies to GIT.

In relation to GAIP and GEP, Goodman offers limited liquidity facilities to investors, which allow the investors to sell to Goodman some or all of their investment in the Partnerships. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to \$7.5 million of the issued capital of GAIP each quarter and EUR 25 million of the issued capital of GEP each half year. Furthermore, Goodman is only required to purchase units where its co-investment in GAIP or GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest (together with its custodian's interest) in GAIP and GEP is below the prescribed limit and both liquidity facilities are open for investors. The commitment under the liquidity facility also applies to GIT.

Furthermore, in respect of certain Partnerships, Goodman and its investment partners have committed to invest further capital, subject to the unanimous approval by the partners of the relevant property acquisition and/or development for which the funding is required. Goodman's commitment in respect of these Partnerships is set out below:

- + \$99.7 million (2018: \$nil) into GHKLP;
- + \$23.8 million (2018: \$23.8 million) into KGIP;
- + \$150.0 million (2018: \$146.2 million) into KGG;
- + \$361.0 million (2018: \$371.8 million) into GJDP;
- + \$872.7 million (2018: \$396.0 million) into GCLP;
- + \$209.1 million (2018: \$269.7 million) into GUKP;
- + \$855.6 million (2018: \$1,406.7 million) into GNAP;
- and
- + \$123.8 million (2018: \$131.3 million) into Goodman Brazil Logistics Partnership.

23 Auditors' remuneration

	Goodman		GIT	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Audit services				
Auditor of the Company:				
– Audit and review of financial reports (KPMG Australia)	926.2	884.9	592.6	443.5
– Audit and review of financial reports (overseas KPMG firms)	906.9	850.6	16.8	59.8
	1,833.1	1,735.5	609.4	503.3
Other services				
– Other regulatory services (KPMG Australia)	55.6	53.3	36.5	35.0
– Other assurance services (KPMG Australia)	–	300.5	–	300.5
– Other advisory services (KPMG Australia)	18.7	25.0	–	–
– Other advisory services (overseas KPMG firms)	15.8	–	–	–
– Taxation compliance services (KPMG Australia)	107.8	103.7	88.3	74.0
– Taxation compliance services (overseas KPMG firms)	144.7	158.5	6.9	–
– Taxation advice (KPMG Australia)	157.1	25.5	–	15.4
– Taxation advice (overseas KPMG firms)	196.4	117.4	11.6	–
	696.1	783.9	143.3	424.9
Total paid/payable to KPMG	2,529.2	2,519.4	752.7	928.2
Other auditors				
– Audit and review of financial reports (non-KPMG firms)	76.5	81.8	–	–

Notes to the consolidated financial statements

Other items (continued)

24 Parent entity disclosures

As at, and throughout the financial year ended, 30 June 2019, the parent entities of Goodman and GIT were Goodman Limited and Goodman Industrial Trust respectively. The financial information for the parent entities is disclosed as follows:

	Goodman		GIT	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Result of the parent entity				
Profit for the year	279.1	37.7	343.3	552.2
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	279.1	37.7	343.3	552.2
Financial position of the parent entity at year end				
Current assets	46.8	46.1	1,714.7	2,910.3
Total assets	1,476.5	1,471.5	6,873.4	7,088.8
Current liabilities	20.6	1,424.5	1,972.6	155.2
Total liabilities	1,126.1	1,424.5	2,029.9	2,261.4
Total equity of the parent entity comprising:				
Issued capital	757.3	741.9	7,477.3	7,381.3
Profits reserve	90.7	90.7	–	–
Employee compensation reserve	28.3	19.4	159.6	129.3
Accumulated losses	(525.9)	(805.0)	(2,793.4)	(2,683.2)
Total equity	350.4	47.0	4,843.5	4,827.4

The financial information for the parent entities of Goodman and GIT has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities and Partnerships

Investments in controlled entities and Partnerships are accounted for at cost in the financial statements of Goodman Limited and Goodman Industrial Trust. Distributions/dividends received from Partnerships are recognised in profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation

Goodman Limited is the head entity in a tax consolidated group comprising all Australian wholly-owned subsidiaries (this excludes GIT). The head entity recognises all of the current tax assets and liabilities of the tax consolidated group (after elimination of intra-group transactions).

Financial guarantees

Where the parent entities have provided financial guarantees in relation to loans and payables of controlled entities for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Parent entity capital commitments

At 30 June 2019, the parent entities had no capital commitments (2018: \$nil).

Parent entity contingencies

Capitalisation Deed Poll

The Company, GFML, as responsible entity of the Trust, GLHK and certain of their wholly-owned controlled entities are “investors” under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to notes 12(d) and 12(e)), controlled entities of GIT had on issue USD and EUR notes amounting to US\$1,303.8 million and €500.0 million respectively. GL, GFML, as responsible entity of the Trust, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

25 Events subsequent to balance date

Goodman and GIT

Other than as disclosed elsewhere in the consolidated financial report (including the Directors’ report), there has not arisen in the interval between the end of the financial year and the date of this consolidated financial report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman and GIT, the results of those operations, or the state of affairs of Goodman and GIT, in future financial years.

DIRECTORS’ DECLARATION

In the opinion of the directors of Goodman Limited and the directors of Goodman Funds Management Limited, the responsible entity for Goodman Industrial Trust:

- (a) the consolidated financial statements and the notes of Goodman Limited and its controlled entities and Goodman Industrial Trust and its controlled entities set out on pages 88 to 167 and the remuneration report that is contained on pages 44 to 84 in the Directors’ report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of Goodman’s and GIT’s financial position as at 30 June 2019 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company and the Trust will be able to pay their debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Ian Ferrier AM

Independent Chairman



Gregory Goodman

Group Chief Executive Officer

Sydney, 23 August 2019

Independent Auditor's Report

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



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

Report on the audit of the Financial Report

Opinion

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

We have also audited the Financial Statements of Goodman Industrial Trust (the Trust Financial Report).

In our opinion, each of the accompanying Goodman Group Financial Report and Trust Financial Report are in accordance with the Corporations Act 2001, including:

- + giving a true and fair view of the Goodman Group's and of the Trust's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- + complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

- + Consolidated statement of financial position as at 30 June 2019;
- + Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended;
- + Notes including a summary of significant accounting policies (collectively referred to as Financial Statements); and
- + Directors' Declaration.

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

Basis for opinions

We conducted our audit in accordance with Australian Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Goodman Group, Goodman Limited, Goodman Funds Management Limited (the Responsible Entity of the Trust) and the Trust in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The Key Audit Matters we identified for the Goodman Group are:

- + Recognition of portfolio performance fee income;
- + Recognition of development income;
- + Valuation of investment properties, investments accounted for using the equity method and inventories; and
- + Value of intangible assets.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recognition of portfolio performance fee income

Refer to Note 2 to the Financial Report (portfolio performance fee income is allocated to management income and development income).

Recognition of portfolio performance fee income

Refer to Note 2 to the Financial Report (portfolio performance fee income is allocated to management income and development income).

The key audit matter	How the matter was addressed in our audit
<p>The Goodman Group, in its capacity as an investment manager, earns portfolio performance fees based on agreements with some of its managed partnerships.</p> <p>Recognition of portfolio performance fee income is considered a key audit matter due to the:</p> <ul style="list-style-type: none"> + Quantum of portfolio performance fee income, relative to the Goodman Group's total revenue; and + Significant judgment exercised by us in assessing the amount of performance fees recognised by the Goodman Group. The key assumptions impacting the amount of performance fees are subject to estimation uncertainty, bias and inconsistent application. This increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. Increased time and effort is spent by the audit team in assessing these key assumptions. <p>The amount of portfolio performance fees recognised is impacted by key assumptions including:</p> <ul style="list-style-type: none"> + Fair value of underlying investment properties (a key driver of the quantum of performance fees recognised by the Goodman Group) held by the partnerships. The valuation of investment properties contains assumptions with estimation uncertainty such as expected capitalisation rates and market rental yields. This leads to additional audit effort due to the differing assumptions based on asset classes, geographies and characteristics of individual investment properties. + The level of constraint applied. This is impacted by the Goodman Group's expectations of how much of the performance fee is highly probable to be received in accordance with the requirements of the accounting standards. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> + Reading the Goodman Group's agreements with managed partnerships to understand the key terms related to performance fees, including hurdle rates; + Evaluating Goodman Group's accounting policies regarding the recognition of performance fee income and valuation of investment properties against accounting standard requirements; + Assessing the scope, competence and objectivity of the partnerships' external experts and internal valuers to fair value the underlying investment properties held by the partnerships; + With the assistance of real estate valuation specialists, challenging specific property fair value assumptions such as capitalisation rates and market rental yields by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Stapled Group, historical performance of the underlying investment properties and using our industry experience; + Comparing hurdle rates and performance fee rates to underlying partnership agreements and recalculated the performance fee income using the rates in the agreements applied to the value in excess of the hurdle value; and + Challenging the constraints applied in determining the amount of performance fees that are highly probable to be received by the Goodman Group, based on the Goodman Group's estimate of current and forecast partnership performance and the remaining tenure of the partnerships. We used our knowledge of the Goodman Group, their past performance, business, and our industry experience.
<p>In assessing this Key Audit Matter, real estate valuation specialists, who understand the Group's investment profile and business, were involved.</p>	

Independent Auditor's Report

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



Recognition of development income (\$1,134.3m)

Refer to Note 2 to the Financial Report

The key audit matter

Development income was a key audit matter due to:

- + its significant value (37% of revenue and other income);
- + the high volume of transactions; and
- + the judgements applied by us to assess the Goodman Group's determination of revenue recognised during the period in relation to contracts which remain in progress at period end.

Development income comprises income from disposal of inventories, other development income (including development management) and income from fixed price construction contracts.

Income from development management services is recognised progressively, requiring judgment by us when considering the Goodman Group's determination of the amount and extent of the services provided based on contract deliverables.

Income from certain inventory disposals and fixed price construction contracts is recognised in proportion to the stage of completion of the relevant contracts. We focused on the stage of completion estimation which is based on costs incurred as a percentage of estimated total costs for each contract.

How the matter was addressed in our audit

Our procedures included:

- + Selecting specific contracts from development income recognised (in relation to contracts that remain in progress at period end) based on quantitative and qualitative information (such as the size and complexity of the arrangement); and
- + Evaluating Goodman Group's recognition of development income against the criteria in the accounting standards.

For the specific contracts selected, our procedures included:

- + Understanding the underlying contractual arrangements, in particular their unique terms;
- + Where recognition of development income is conditional upon certain events occurring, checking correspondence with external parties for evidence of achievement of conditions;
- + Assessing the Goodman Group's determination of revenue recognised during the period in accordance with the provision of services stipulated in the underlying contract or the stage of completion;
- + For revenue recognised based on the stage of completion, assessing a sample of costs incurred to date and total forecast costs against project feasibilities; and
- + Challenging the key assumptions included in the Goodman Group's project feasibilities by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.



Valuation of investment properties (\$1,897.1m), investments accounted for using the equity method (\$8,530.9m) and inventories (\$1,069.0m)

Refer to Note 6 to the Financial Report

The key audit matter

The valuations of property assets is a key audit matter as they are significant in value (being 77% of total assets) and contain assumptions with estimation uncertainty.

This leads to additional audit effort due to differing assumptions based on asset classes, geographies and characteristics of individual property assets.

The Goodman Group's investments in property assets include investment properties and inventories, which are held either directly or through its investments accounted for using the equity method.

Investment properties are held at fair value and inventories are held at the lower of cost and net realisable value. The valuations of property assets are determined using internal methodologies or through the use of external valuation experts.

The valuations of property assets include a number of significant assumptions:

- + Investment properties:
 - capitalisation rates;
 - market rental yields;
 - weighted average lease expiry and vacancy levels;
 - projections of capital expenditure; and
 - lease incentive costs.
- + Inventories:
 - forecast capitalisation rates and market rental yields;
 - land value per square metre;
 - letting up periods and lease incentive costs; and
 - development costs.

In assessing this Key Audit Matter, we involved real estate valuation specialists, who understand the Group's investment profile and business and the economic environment it operates in.

How the matter was addressed in our audit

Our procedures included:

- + Obtaining an understanding of the Goodman Group's process regarding the valuation of property assets;
- + Assessing the methodologies used in the valuations of property assets, for consistency with accounting standards, industry practice and the Goodman Group's policies; and
- + Working with real estate valuation specialists to read published reports and industry commentary to gain an understanding of prevailing property market conditions.

For investment properties:

- + Assessing the scope, competence and objectivity of external valuation experts and Goodman Group's internal valuers;
- + On a portfolio basis, taking into consideration asset classes, geographies and characteristics of individual investment properties, challenging significant assumptions, with reference to published reports or industry commentary, capitalisation rates; and
- + With assistance of real estate valuation specialists, assessing a sample of significant assumptions including capitalisation rates, market rental yields, weighted average lease expiry and vacancy levels, projections of capital expenditure and lease incentive costs. We did this by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Goodman Group, historical performance of the assets and using our industry experience.

For inventories:

- + Challenging the key assumptions included in the Goodman Group's internal recoverability assessments (project feasibilities) and valuations by comparing to commentary published by industry experts, recent market transactions, and our knowledge of historical performance of the assets.

Independent Auditor's Report

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



Value of intangible assets (\$840.0m)

Refer to Note 11 to the Financial Report(\$840m)

The key audit matter

At 30 June 2019 the Goodman Group's intangible assets comprised goodwill and management rights. The valuation of intangible assets was identified as a key audit matter as the Goodman Group's annual impairment assessment contains significant judgments involving forecasting and discounting future cash flows.

The impairment assessment is based on the value in use model performed for each division of the Goodman Group. The value in use models incorporate significant judgment in respect of future conditions and assumptions such as:

- + forecast cash flows, growth rates and terminal growth rates, taking into consideration the level and margins of ongoing development activity and forecast funds management income (which is primarily dependent on assets under management). The Group's models are sensitive to small changes in these assumptions, which may reduce available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
- + discount rates – these are complicated in nature and vary according to the conditions the division is subject to from time to time.

We involved valuation specialists in assessing this Key Audit Matter.

How the matter was addressed in our audit

Our procedures included:

- + Considering the appropriateness of the value in use method applied by the Goodman Group to perform the annual test of goodwill and management rights impairment, against the requirements of the accounting standards.
- + For divisions with significant intangible assets:
 - Working with our valuation specialists, evaluating the discount rates and terminal growth rates used in the value in use models by comparing to publicly available data of comparable entities;
 - Assessing the ability of the Goodman Group to accurately forecast by comparing previous forecasts to actual results;
 - Comparing the division's forecast cash flows contained in the value in use models to Board approved forecasts;
 - Challenging the divisions forecast cash flows from development activity and funds management based on our understanding of local market conditions; and
 - Performing a sensitivity analysis on the discount rates, growth rates and forecast assets under management by applying a reasonably possible range of outcomes to focus our further procedures.
- + Assessing the disclosures in the financial report using our understanding from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in the Goodman Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Company and the Directors of the Responsible Entity are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report (including the Remuneration Report). The Chairman's Letter, Group Chief Executive Officer's Report, Corporate Responsibility and Sustainability, Corporate Governance and Securities Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Company and the Responsible Entity are responsible for:

- + preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001;
- + implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error and;
- + assessing the Goodman Group and Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Goodman Group or the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- + to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- + to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Report is located at the Auditing and Assurance Standards Board website at: auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Independent Auditor's Report

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



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2019 complies with Section 300A of the Corporations Act 2001.

Directors' responsibilities

The Directors of the Goodman Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

Our responsibilities

We have audited the Remuneration Report included in pages 44 to 84 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Eileen Hoggett, written in black ink.

Eileen Hoggett

Partner

Sydney, 23 August 2019

Appendix A – Goodman Logistics (HK) Limited

Consolidated financial statements for the year ended 30 June 2019

CONTENTS

		Notes to the consolidated financial statements	
Report of the directors	176	Basis of preparation	
Independent auditor's report	186	1 Basis of preparation	194
Consolidated statement of financial position	188	Results for the year	
Consolidated statement of comprehensive income	190	2 Profit before interest and tax	199
Consolidated statement of changes in equity	191	3 Segment reporting	201
Consolidated cash flow statement	192	4 Income tax expense	204
		5 Profit attributable to equity shareholders of the Company	206
		Operating assets and liabilities	
		6 Property assets	206
		7 Receivables	211
		8 Contract balances	212
		9 Payables	214
		Capital management	
		10 Finance income and expense	214
		11 Other financial assets and liabilities	215
		12 Financial risk management	216
		13 Dividends	221
		14 Share capital	221
		Other items	
		15 Notes to the consolidated cash flow statement	223
		16 Reserves	225
		17 Retained earnings	226
		18 Investments in subsidiaries	227
		19 Related party transactions	227
		20 Commitments	229
		21 Contingencies	230
		22 Company level statement of financial position	230
		23 Subsequent events	231

Report of the Directors

The directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited (“the Company”) and its subsidiaries (collectively referred to as the “Consolidated Entity”) for the year ended 30 June 2019 (“FY19”).

Incorporation and principal place of business

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 901, Three Pacific Place, 1 Queen’s Road East, Hong Kong.

On 22 August 2012, the Company became a party to the stapling deed with Goodman Limited (“GL”) and Goodman Industrial Trust (“GIT”), and together the three entities and their subsidiaries are known as Goodman Group. Goodman Group is listed on the Australian Securities Exchange (“ASX”).

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, investment management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 18 to the consolidated financial statements.

Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2019 and the Consolidated Entity’s financial position at that date are set out in the consolidated financial report on pages 188 to 231.

During the financial year, the Company declared a final dividend of 5.0 cents per share amounting to \$90.7 million. The dividend is payable out of FY19 profit after tax. In the prior year, the Company declared a final dividend of 5.0 cents per share amounting to \$90.0 million out of FY18 profit after tax.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 14 to the consolidated financial statements.

Directors

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

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

Directors of controlled entities

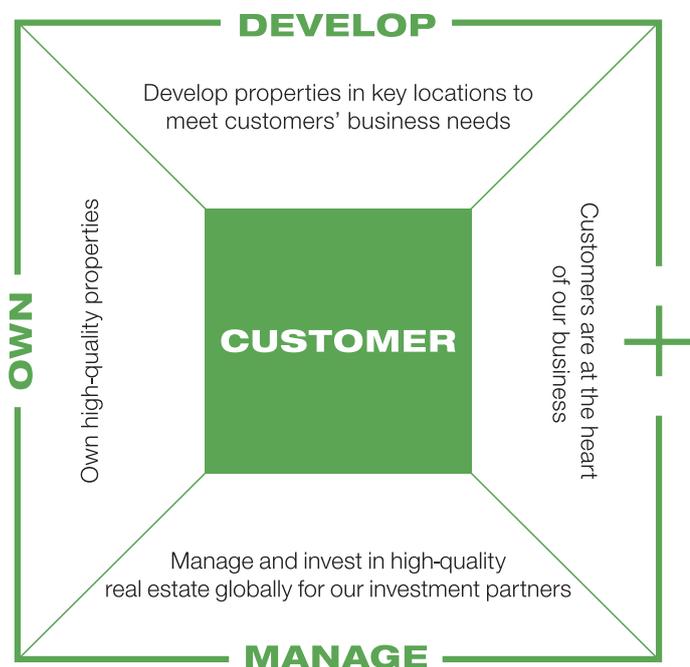
The names of directors who have served on the boards of the controlled entities of the Company during the year ended 30 June 2019 are set out below:

Ales Ruzicka	Jorn Bruyninckx
Bart Manteleers	Joseph Salvaggio
Chi Wing Lin	Karl Dockx
Christof Prange	Kim Swee Seah
Chun Kit Fung	Kristoffer Allan Harvey
David Anthony Hinchey	Lien Standaert
Dirk Mölter	Marcin Duda
Dominique Prince	Marwan Bustani
Edwin Chong Chee Wai	Nicholas Kurtis
Garcia Cuenca Ignacio	Philippe Van der Beken
Godfrey Abel	Shiling Li
Goh Hoi Lai	Simone Marlene Weyermanns
Henry Kelly	Tai Yit Chan
Hove Izak	Tang Chenying
Hugh Baggie	Thomas De Meester
István Kerekes	Wai Ho Stephen Lee
Jan Palek	Wang Chen
Jie Yang	Xiaoyin Zhang.
John Morton Dakin	

BUSINESS REVIEW

State of affairs

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



Goodman Group's strategy

Goodman's Group's purpose is to make space for its stakeholders' ambitions. This purpose is executed through Goodman Group's integrated business capabilities model – "own+develop+manage", where its customers' need for sustainable solutions and service excellence in high quality locations, is at the centre.

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

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

Report of the Directors

Business review (continued)

Performance review

The Consolidated Entity has operations in Asia, Continental Europe and the United Kingdom (“UK”), and its earnings are derived from property investment, development and management activities.

In assessing Goodman Group’s underlying performance, the directors consider operating earnings as well as Goodman Group’s statutory profit. Operating earnings is a proxy for ‘cash earnings’ and is not an income measure under Hong Kong Financial Reporting Standards (“HKFRS”). It is defined as profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash adjustments or non-recurring items.

	2019 \$M	2018 \$M
Analysis of operating profit		
Property investment earnings	36.0	41.6
Development earnings	278.8	204.9
Management earnings	215.1	149.5
	529.9	396.0
Operating expenses	(117.9)	(104.1)
	412.0	291.9
Net finance expense (operating) ¹	(26.3)	(21.3)
Income tax expense (operating)	(57.6)	(26.7)
Operating profit	328.1	243.9

1. Net finance expense (operating) excludes derivative mark to market, unrealised foreign exchange movements and debt restructure expense.

Property investment activities

Property investment earnings in FY19 of \$36.0 million were down on the prior year and comprised 7% of the total earnings (2018: 10%).

	2019 \$M	2018 \$M
Net property income	5.1	12.7
Partnerships	30.9	28.9
Property investment earnings	36.0	41.6

Key metrics	2019	2018
Weighted average capitalisation rate (%)	5.3	5.8
Weighted average lease expiry (years)	4.4	4.7
Occupancy (%)	98.3	99.0

Property investment earnings comprise property income from completed developments held for sale and the Consolidated Entity’s share of the results of property investment joint ventures (referred to by the Consolidated Entity as “Partnerships”). The key drivers for maintaining or growing Goodman’s property investment earnings are increasing the level of assets under management (“AUM”) (subject also to the Consolidated Entity’s direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and changes in financing arrangements.

The Consolidated Entity’s property portfolios are concentrated in large, urban centres around the world where demand from customers (including e-commerce) who continue to invest in improving the efficiency of their supply chains, data centre users and urban renewals has put pressure on land use and availability. As a consequence, barriers to entry in these locations are high, land is scarce and, in some cases, supply is negative meaning that the properties should see higher valuation growth and higher returns over the long term.

The Consolidated Entity's share of investment earnings from its cornerstone holdings in the Partnerships increased by 6.9% to \$30.9 million compared to the prior year. This was due to rental income growth from existing properties and the completion of developments both during FY18 and FY19.

During FY19, the Consolidated Entity's share of property valuations from the stabilised portfolios was \$137.0 million. Valuation gains were due to both capitalisation rate compression and the growth in rental income. At 30 June 2019, the weighted average capitalisation rate for the Consolidated Entity's portfolios was 5.3%, compared to 5.8% at the start of FY19.

Development activities

In FY19, development earnings were \$278.8 million, an increase of 36% on the prior year and comprised 53% of total operating earnings (2018: 52%).

Development activity continued to be strong with 40 developments completed during the year and work in progress of \$2.0 billion across 25 projects at 30 June 2019. The increase in the Consolidated Entity's earnings was primarily volume driven.

	2019 \$M	2018 \$M
Net development income Partnerships	225.5	182.2
	53.3	22.7
Development earnings	278.8	204.9

Key metrics	2019	2018
Work in progress (\$B)	2.0	1.6
Work in progress (million square metres)	1.1	1.5
Work in progress (number of developments)	25	37
Developments completed during the year (number of developments)	40	38

Development earnings comprise development income (including development management fees) net of expenses, income from sales of properties (primarily inventories but also including disposals of special purpose entities in certain jurisdictions) and the Consolidated Entity's share of the results of property development Partnerships. Development income includes performance related revenues associated with managing development activity in the Partnerships. The key drivers for the Consolidated Entity's development earnings are the level of development activity, land and construction prices, property valuations and the continued availability of third party capital to fund development activity.

The majority of inventory disposals and fixed price contract income arose in Europe, as the Partnerships in Continental Europe generally acquire completed developments from the Consolidated Entity. In the Consolidated Entity's other operating segments, development earnings are a mix of development management income, including performance related income, and transactional activity, including the Consolidated Entity's share of development profits reported by the Partnerships themselves.

Consistent with Goodman Group's strategy, development activity has been focused on key urban centres, where customer demand is high and the supply of industrial logistics is restricted. The scale of the projects has been growing over time as a consequence of the high value nature of these sites and the complexity associated with development of infill locations.

Report of the Directors

Business review (continued)

Management activities

Management earnings in FY19 of \$215.1 million increased by 44% compared to the prior year and comprised 40% of total operating earnings (2018: 38%). The two main drivers of management earnings were the increase in external AUM and the increasing contribution from portfolio performance fee income.

During FY19, external AUM increased by 22% to \$20.2 billion from \$16.5 billion as set out below:

	2019 \$M	2018 \$M
Management earnings	215.1	149.5
Key metrics	2019	2018
Number of Partnerships	7	7
External AUM (\$B)	20.2	16.5

Management earnings relates to the revenue from managing the property portfolios and the capital invested in the Partnerships (management income). This includes performance related revenues but excludes earnings from managing development activities in the Partnerships, which are included in development earnings. The key drivers for maintaining or growing management earnings are activity levels, asset performance, and increasing the level of AUM, which can be impacted by property valuations and asset disposals and is also dependent on liquidity including the continued availability of third party capital to fund both development activity and acquisitions across the Consolidated Entity's Partnerships.

Base management fee income, earned from the overall management of the Partnerships, increased in line with the increase in AUM. This was supplemented by property services income, which increased in line with the gross property income in the Partnerships, and other income such as leasing fees and transactional fees.

In addition, the consistently high partnership returns over the past few years resulted in performance fee revenue growing to \$92.3 million in FY19 from \$38.9 million in the prior year. For FY19, performance fee revenue represented around 43% of the total management earnings, up from 26% in the prior year.

Statement of financial position

	2019 \$M	2018 \$M
Cornerstone investments in Partnerships	1,226.9	907.2
Development holdings	541.2	443.4
Cash	212.7	115.5
Other assets	889.9	680.8
Total assets	2,870.7	2,146.9
Loans from related parties	1,102.4	897.0
Other liabilities	460.2	285.9
Total liabilities	1,562.6	1,182.9
Non-controlling interests	24.7	22.4
Net assets attributable to Shareholders	1,283.4	941.6

The value of cornerstone investments in Partnerships has increased by \$319.7 million to \$1,226.9 million, principally driven by capital contributions into existing Partnerships. A reconciliation of the current year movement in cornerstone investments in Partnerships is detailed in note 6(e) to the consolidated financial statements. Distributions of income and capital from cornerstone investments in the current year amounted to \$102.1 million.

The increase in development holdings by \$97.8 million to \$541.2 million is primarily due to the additional expenditure on development projects in Continental Europe and China.

A greater amount of accrued income accounted for the increase in other assets by \$209.1 million to \$889.9 million. The majority of accrued income is expected to be received in FY20. The increase in other liabilities is principally due to an accrual for transaction management fees payable to a related party and an increase in accruals for cash settled performance rights issued to employees.

Cash flow

	2019 \$M	2018 \$M
Operating cash flows	238.5	421.7
Investing cash flows	(136.4)	(123.4)
Financing cash flows	(14.4)	(296.4)
Net increase in cash held	87.7	1.9
Effect of exchange rate fluctuations on cash held	9.5	5.7
Cash at the beginning of the year	115.5	107.9
Cash at the end of the year	212.7	115.5

The movement in operating and investing cash flows from the comparative year is primarily attributable to the timing of development activities undertaken, both on balance sheet and in Partnerships, compared with the prior year. The lower operating cash inflow from development activities was partly offset by increased cash flows from management activities.

Investing cash flows primarily relate to investments in the Partnerships to fund development expenditure.

Financing cash flows comprise principally of proceeds of loans from related parties offset by dividends paid in FY19. The higher financing cash outflow in the prior financial year was due to the repayment of related party loans using excess operating cash.

Outlook

For FY20, business conditions are expected to remain favourable in the Consolidated Entity's markets and the Consolidated Entity is strategically well placed given its financial and operational strength. An increase in performance is anticipated from each of the Consolidated Entity's earning streams, subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.

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

Risks

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

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

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

Report of the Directors

Business review (continued)

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

	Risk area	Mitigation
Capital management	Ensuring long-term availability of funding from both investors and financial institutions to support the sustainability of the business.	<ul style="list-style-type: none"> + Goodman Group Board approved financial risk management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Goodman Group Board + Diversification of debt funding sources and maturities + Diversification of investment partners + Change in distribution pay-out ratio consistent with contribution to increasing development workbook
Economic and geopolitical environment	Headline economic indicators suggest global growth has peaked, with indications of a gradual slowdown in coming years. Geopolitical and geo-economic tensions are rising among the world's major powers, evidenced by political protests in Hong Kong and trade tension between the US and China. The world is evolving into a period of divergence following a period of globalisation that profoundly altered the global political economy.	<ul style="list-style-type: none"> - Global diversification of Goodman Group's property portfolios - Focus on core property portfolios in key urban market locations - Focus on cost management - Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks
Governance, regulation and compliance	Non-compliance and changes to the regulatory environments (including tax) impact Goodman Group's business, including its reputation.	<ul style="list-style-type: none"> + Independent governance structures + Core values and attitudes, with an embedded compliance culture focused on best practice + Dedicated Chief Risk Officer and Compliance Officer + Review of transactions by the Goodman Group Investment Committee
People	Retaining the executive management team, who support the sustainability of the business. Maintaining an organisational culture commensurate with Goodman Group's values.	<ul style="list-style-type: none"> + Succession planning for senior executives + Competitive remuneration structures + Performance management and review + Goodman Group values programme
Technology change and disruption	Through advancement in technology (as seen through automation/robotics, investment in driverless vehicles and drone technology), there is a longer-term risk that warehouses become obsolete and not fit for purpose through their specialisation and/or location.	<ul style="list-style-type: none"> + Key urban market strategy – urban, infill locations support re-usability of property + Adaptable and re-usable building design – ease to reconfigure for another customer + Geographic diversification
Development	Development risks may arise from location, site complexity, planning and permitting, infrastructure, size and duration, contamination, earthquakes, adverse weather conditions and other environmental factors, along with general contractor capability.	<ul style="list-style-type: none"> + Review of development projects by the Goodman Group Investment Committee + Goodman Group defined design specifications, which cover environmental, technological, and safety requirements, protecting against short-term obsolescence + Internal audit reviews with reporting to the Risk and Compliance Committee + Insurance programme, both Goodman Group and general contractor, including project specific insurance + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Goodman Group oversight including limits with respect to speculative development

	Risk area	Mitigation
Asset management and leasing	Leasing risk exposures can reduce returns from Goodman Group's portfolios. Adverse weather events and other environmental factors can adversely affect returns.	<ul style="list-style-type: none"> + Key gateway city strategy – urban, infill locations where customer demand is strongest + Diversification of customer base and lease expiries + Review of significant leasing transactions and development projects by the Goodman Group Investment Committee + Sustainability strategy including the assessment of individual assets to improve resilience and implementation of sustainability initiatives + Adoption of the Task Force on Climate-related Financial Disclosures recommendations as a framework for the assessment, management and disclosure of climate risks + Capital expenditure programmes keeping pace with property lifecycle
Concentration to counterparties and markets	Over-exposure to customers and market may limit growth and sustainability opportunities.	<ul style="list-style-type: none"> + Diversification of customer base and lease expiries + Diversification of capital partners and Partnership expiries
Information and data security	Maintaining security of IT environment and data, ensuring continuity of IT applications to support sustainability and growth.	<ul style="list-style-type: none"> + Reporting of risks and management activity + Proactive monitoring, review and testing of infrastructure + Disaster recovery and business continuity planning and testing

Environmental regulations

The Consolidated Entity has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of the Consolidated Entity's operations that are subject to significant environmental regulation under the laws of the countries the Consolidated Entity operates in. The directors have determined that the Consolidated Entity has complied with those obligations during the financial year and that there has not been any material breach.

Disclosure in respect of any indemnification of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' interests in contracts

No contract of significance in relation to the Consolidated Entity's business to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

Directors' interest in shares

At the end of the year, the directors (including alternate directors) held the following interests in the stapled securities of Goodman Group, which are listed on the ASX:

Directors	Direct securities	Indirect securities	Total
Ian Douglas Ferrier	202,922	–	202,922
David Jeremy Collins	5,000	–	5,000
Gregory Leith Goodman	78,047	38,024,673	38,102,720
Daniel Cornelius D. Peeters	–	1,591,385	1,591,385

In addition, Gregory Goodman and Daniel Peeters participate in the Goodman Group Long Term Incentive Plan (“LTIP”) under which they hold performance rights. Performance rights entitle participants to receive Goodman Group stapled securities without the payment of consideration, subject to Goodman Group satisfying performance criteria and the participants remaining employees of Goodman Group.

Details of the awards of performance rights under the LTIP granted as compensation to the directors (including alternate directors) at 30 June 2019 are as follows:

	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights vested during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Gregory Leith Goodman	–	1,600,000	–	–	1,600,000	15 Nov 18	2022 – 2024
	1,600,000	–	–	–	1,600,000	16 Nov 17	2021 – 2023
	2,400,000	–	–	–	2,400,000	30 Sep 16	2020 – 2022
	2,000,000	–	(650,001)	(49,998)	1,300,001	25 Nov 15	2019 – 2021
	663,651	–	(331,825)	–	331,826	20 Nov 14	2018 – 2020
	298,422	–	(298,422)	–	–	22 Nov 13	2017 – 2019
Daniel Cornelius D. Peeters	–	550,000	–	–	550,000	15 Nov 18	2022 – 2024
	550,000	–	–	–	550,000	16 Nov 17	2021 – 2023
	600,000	–	–	–	600,000	30 Sep 16	2020 – 2022
	450,000	–	(146,250)	(11,250)	292,500	25 Nov 15	2019 – 2021
	331,826	–	(165,913)	–	165,913	20 Nov 14	2018 – 2020
	132,632	–	(132,632)	–	–	22 Nov 13	2017 – 2019

Apart from the above, at no time during the year was the Company, its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other related body corporate.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Subsequent events

On 19 August 2019, the Consolidated Entity acquired a number of entities operating in the United Kingdom from Goodman Limited for consideration of GBP 1.8 million.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2019.

By order of the board of directors



Ian Douglas Ferrier AM
Chairman



David Jeremy Collins
Director

Sydney, 23 August 2019

Independent Auditor's Report

To the members of Goodman Logistics (HK) Limited (Incorporated in Hong Kong with limited liability)



Opinion

We have audited the consolidated financial statements of Goodman Logistics (HK) Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 188 to 231, which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor’s report thereon

The directors are responsible for the other information which comprises all the information included in the Company’s Report of the directors.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2019

Consolidated statement of financial position

as at 30 June 2019

(expressed in Australian dollars)

	Note	2019 \$M	2018 Restated ¹ \$M
Current assets			
Cash	15(a)	212.7	115.5
Inventories	6(b)	156.6	172.2
Receivables	7	556.2	518.6
Contract assets	8	279.5	141.0
Current tax receivables	4(c)	1.2	2.5
Other assets		1.5	4.2
Total current assets		1,207.7	954.0
Non-current assets			
Inventories	6(b)	315.2	196.0
Investments accounted for using the equity method	6(b)	1,226.9	907.2
Receivables	7	82.1	57.5
Other financial assets	11	28.2	21.5
Deferred tax assets	4(d)	0.1	0.2
Other assets		10.5	10.5
Total non-current assets		1,663.0	1,192.9
Total assets		2,870.7	2,146.9
Current liabilities			
Payables	9	1,074.0	883.0
Contract liabilities	8	5.2	21.9
Current tax payables	4(c)	28.3	14.5
Employee benefits		23.9	21.5
Dividend payable	13	90.7	90.0
Total current liabilities		1,222.1	1,030.9

(expressed in Australian dollars)

	Note	2019 \$M	2018 Restated ¹ \$M
Non-current liabilities			
Payables	9	300.0	143.6
Contract liabilities	8	3.0	3.7
Deferred tax liabilities	4(d)	30.8	4.7
Other financial liabilities	11	6.7	–
Total non-current liabilities		340.5	152.0
Total liabilities		1,562.6	1,182.9
Net assets		1,308.1	964.0
Equity attributable to Shareholders			
Share capital	14(a)	696.0	674.6
Reserves	16	(447.4)	(459.6)
Retained earnings	17	1,034.8	726.6
Total equity attributable to Shareholders		1,283.4	941.6
Non-controlling interests		24.7	22.4
Total equity		1,308.1	964.0

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

The notes on pages 194 to 231 form part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 23 August 2019.



Ian Douglas Ferrier AM
Chairman



David Jeremy Collins
Director

Consolidated statement of comprehensive income

for the year ended 30 June 2019

(expressed in Australian dollars)

	Note	2019 \$M	2018 \$M
Revenue			
Gross property income		8.3	15.4
Management income	2	317.0	172.1
Development income	2	694.7	709.9
Dividends from investments		0.8	1.3
		1,020.8	898.7
Property and development expenses			
Property expenses		(3.2)	(2.7)
Development expenses	2	(474.8)	(529.7)
		(478.0)	(532.4)
Other income			
Share of net results of equity accounted investments	6(e)	221.2	104.0
Net gain on disposal of equity accounted investments		4.8	0.7
		226.0	104.7
Other expenses			
Employee expenses		(91.7)	(80.2)
Share based payments expense		(54.8)	(28.4)
Administrative and other expenses		(128.1)	(46.5)
		(274.6)	(155.1)
Profit before interest and income tax	2	494.2	315.9
Net finance income/(expense)			
Finance income	10	4.4	3.1
Finance expense	10	(37.4)	(24.4)
Net finance expense		(33.0)	(21.3)
Profit before income tax		461.2	294.6
Income tax expense	4	(57.6)	(26.7)
Profit for the year		403.6	267.9
Profit for the year attributable to:			
Shareholders	17	398.9	262.6
Non-controlling interests		4.7	5.3
Profit for the year		403.6	267.9
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Increase due to revaluation of other financial assets		3.0	–
		3.0	–
Items that are or may be reclassified subsequently to profit or loss			
Effect of foreign currency translation		2.5	85.7
		2.5	85.7
Other comprehensive income for the year, net of tax		5.5	85.7
Total comprehensive income for the year		409.1	353.6
Total comprehensive income for the year attributable to:			
Shareholders		403.9	346.6
Non-controlling interests		5.2	7.0
Total comprehensive income for the year		409.1	353.6

The notes on pages 194 to 231 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2019

Year ended 30 June 2018

(expressed in Australian dollars)

	Note	Attributable to Shareholders				Non-controlling interests	Total equity
		Share Capital	Reserves	Retained earnings	Total		
		\$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 year							
Profit for the year	17	–	–	262.6	262.6	5.3	267.9
Other comprehensive income for the year		–	84.0	–	84.0	1.7	85.7
Total comprehensive income for the year, net of income tax		–	84.0	262.6	346.6	7.0	353.6
Contributions by and distributions to owners							
Dividend declared/paid	13	–	–	(90.0)	(90.0)	(7.6)	(97.6)
Issue of shares to employees of Goodman Group	14(a)	13.5	–	–	13.5	–	13.5
Equity settled share based payments transactions	16(c)	–	5.1	–	5.1	–	5.1
Disposal of special purpose development entity with non-controlling interests		–	–	–	–	(0.6)	(0.6)
Balance at 30 June 2018		674.6	(459.6)	726.6	941.6	22.4	964.0

Year ended 30 June 2019

(expressed in Australian dollars)

	Note	Attributable to Shareholders				Non-controlling interests	Total equity
		Share Capital	Reserves	Retained earnings	Total		
		\$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 year							
Profit for the year	17	–	–	398.9	398.9	4.7	403.6
Other comprehensive income for the year		–	5.0	–	5.0	0.5	5.5
Total comprehensive income for the year, net of income tax		–	5.0	398.9	403.9	5.2	409.1
Contributions by and distributions to owners							
Dividend declared/paid	13	–	–	(90.7)	(90.7)	(2.9)	(93.6)
Issue of shares to employees of Goodman Group	14(a)	21.4	–	–	21.4	–	21.4
Equity settled share based payments transactions	16(c)	–	7.2	–	7.2	–	7.2
Balance at 30 June 2019		696.0	(447.4)	1,034.8	1,283.4	24.7	1,308.1

The notes on pages 194 to 231 form part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2019

(expressed in Australian dollars)

	Note	2019 \$M	2018 \$M
Cash flows from operating activities			
Property income received		5.8	20.6
Cash receipts from development activities		688.1	922.7
Other cash receipts from services provided		186.1	137.6
Property expenses paid		(2.9)	(3.7)
Payments for development activities		(552.8)	(559.6)
Other cash payments in the course of operations		(120.4)	(105.9)
Dividends/distributions received		52.8	35.7
Interest received		0.4	1.1
Finance costs paid		(0.6)	(0.7)
Net income taxes paid		(18.0)	(26.1)
Net cash provided by operating activities	15(b)	238.5	421.7
Cash flows from investing activities			
Payments for investment properties		–	(0.2)
Proceeds from disposal of equity accounted investments		4.8	–
Capital return from equity accounted investments		50.1	59.2
Payments for equity investments		(191.0)	(182.3)
Payments for plant and equipment		(0.3)	(0.1)
Net cash used in investing activities		(136.4)	(123.4)
Cash flows from financing activities			
Net proceeds from/(repayment of) loans with related parties		78.5	(288.8)
Dividends paid to shareholders		(90.0)	–
Dividends paid to non-controlling interests		(2.9)	(7.6)
Net cash used in financing activities		(14.4)	(296.4)
Net increase in cash held		87.7	1.9
Cash at the beginning of the year		115.5	107.9
Effect of exchange rate fluctuations on cash held		9.5	5.7
Cash at the end of the year	15(a)	212.7	115.5

The notes on pages 194 to 231 form part of these consolidated financial statements.

This page has been left blank intentionally

Notes to the consolidated financial statements

(expressed in Australian dollars)

BASIS OF PREPARATION

1 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for investment properties and other financial assets which are stated at fair value.

As at 30 June 2019, the Consolidated Entity had net current liabilities of \$14.4 million. In accordance with the stapling agreement between the Company (“GLHK”), Goodman Limited (“GL”) and Goodman Funds Management Limited as responsible entity for Goodman Industrial Trust (“GIT”), on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

- + lending money or providing financial accommodation;
- + guaranteeing any loan or other financing facility including providing any security;
- + entering into any covenant, undertaking, restraint, negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
- + entering into any joint borrowing or joint financial accommodation and providing any guarantee, security, indemnities and undertakings in connection with the relevant joint borrowing or joint financial accommodation.

A party need not do anything under the above arrangements to the extent that the party considers that it is not in the interests of Goodman Group Securityholders as a whole, or would cause a member of the party’s group to contravene or breach applicable laws or particular finance arrangements.

On the basis of the above, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a controlled entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. When an entity ceases to be controlled by the Company, it is accounted for as a disposal of the entire interest in the entity, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

Joint ventures

A joint venture ("JV") is an arrangement (referred to by the Consolidated Entity as a "Partnership") in which the Consolidated Entity is considered to have joint control for accounting purposes, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the JVs' net profit or loss is recognised in the consolidated profit or loss from the date the arrangement commences to the date the arrangement ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of an asset.

Combination of entities or businesses under common control

Where the Consolidated Entity acquires entities or businesses from other members of Goodman Group such that all of the combining entities (businesses) are ultimately controlled by Goodman Group Securityholders both before and after the combination, the Consolidated Entity applies the pooling of interests method.

At the date of the combination of entities under common control, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities that would otherwise be done under the acquisition method. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration transferred and the equity "acquired" by the Consolidated Entity is reflected within equity (common control reserve).

Similar to the acquisition method, the results of the "acquired" entity are included only from the date control commenced. Comparatives are not restated to present the consolidated financial statements as if the entities had always been combined.

Notes to the consolidated financial statements

Basis of preparation (continued)

1 Basis of preparation (continued)

(d) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates applicable at the reporting date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

(e) Changes in accounting policies

The 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 investments in unlisted securities 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 the date of initial application as set out below:

Impact of adopting HKFRS 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

Notes to the consolidated financial statements

Basis of preparation (continued)

1 Basis of preparation (continued)

Contract assets

Contract assets include amounts recoverable in respect of investment management contracts and fixed price development contracts. These were previously recognised as receivables.

Contract liabilities

Contract liabilities relate to consideration received in advance of the completion of development contracts and rental guarantees provided by the Consolidated Entity in respect of inventory disposal and fixed price development contracts. These were previously recognised as payables.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Consolidated Entity. The adoption of the amendments did not have any material impact on the preparation of the consolidated financial statements.

The Consolidated Entity has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(f) Accounting standards issued but not yet effective

As at the date of this consolidated financial report, HKFRS16 Leases was available for early adoption but has not been applied in preparing these financial statements.

HKFRS 16 replaces HKAS 17 *Leases* and other existing guidance on leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will become mandatory for the Consolidated Entity's 30 June 2020 financial statements and will result in the gross up of assets and liabilities where the Consolidated Entity leases office buildings, motor vehicles and development land classified as inventories.

The Consolidated Entity will apply HKFRS 16 initially on 1 July 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying this standard is recognised at the date of initial application. The Consolidated Entity will recognise a lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application and a right of use asset equal to the lease liability, adjusted for any prepaid or accrued lease payments. The Consolidated Entity estimates that it will recognise \$18.5 million of right of use assets and lease liabilities at 1 July 2019 relating to office equipment and motor vehicles. In relation to the lease of development land held as inventories, an estimated \$15.9 million of right of use assets and lease liabilities will be recognised at 1 July 2019.

The Consolidated Entity plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply HKFRS 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with HKAS 17.

(g) Critical accounting estimates used in the preparation of the consolidated financial statements

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year can be found in the following notes:

- + Note 6 – Property assets; and
- + Note 12 – Financial risk management.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Measurement of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- + Note 6 – Property assets; and
- + Note 12 – Financial risk management.

RESULTS FOR THE YEAR

2 Profit before interest and tax

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 are a cost recovery for the Consolidated Entity 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. 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.

Notes to the consolidated financial statements

Results for the year (continued)

2 Profit before interest and tax (continued)

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 12 months, but can be longer for larger and more complex developments.

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 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 12 months but may be longer.

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.

Employee benefits

Wages, salaries and annual leave

Wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date. These are calculated at undiscounted amounts based on rates that are expected to be paid as at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Bonuses

A liability is recognised in other payables and accruals for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for bonuses that are expected to be settled within 12 months are measured at the amounts expected to be paid, including related on-costs, when they are settled. Liabilities for bonuses, including related on-costs, which are expected to be settled after more than 12 months are discounted to reflect the estimated timing of payments.

Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense as incurred.

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

	2019 \$M	2018 \$M
Management income	122.8	110.7
Portfolio performance fees	194.2	61.4
Management income	317.0	172.1
Income from disposal of inventories	305.0	199.6
Development income from fixed price development contracts	310.7	446.0
Other development income, including development management	74.5	49.0
Net gain on disposal of special purpose development entities	4.5	15.3
Development income	694.7	709.9
Inventory cost of sales	(220.8)	(157.1)
Other development expenses	(254.0)	(372.6)
Development expenses	(474.8)	(529.7)
Salaries, wages and other benefits	(90.7)	(79.3)
Contributions to defined contribution retirement plans	(1.0)	(0.9)
Transaction management fees	(101.9)	(22.6)
Operating lease expense	(8.0)	(7.2)
Depreciation of plant and equipment	(2.0)	(2.5)
Auditor's remuneration	(0.8)	(0.6)

3 Segment reporting

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

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

The segment results that are reported to the Group Chief Executive Officer are based on profit before net

Notes to the consolidated financial statements

Results for the year (continued)
3 Segment reporting (continued)

finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, and the operating segment's investments in Partnerships, but exclude receivables from GL, GIT and their controlled entities, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude payables to GL, GIT and their controlled entities, provision for dividends to Shareholders, income tax payables and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements for the Consolidated Entity.

There are no intersegment transactions.

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Statement of comprehensive income								
External revenues								
Gross property income	1.5	2.8	6.8	12.6	–	–	8.3	15.4
Management income	195.6	118.9	121.4	53.2	–	–	317.0	172.1
Development income	66.1	45.9	628.6	664.0	–	–	694.7	709.9
Dividends from investments	0.8	1.3	–	–	–	–	0.8	1.3
Total external revenues	264.0	168.9	756.8	729.8	–	–	1,020.8	898.7
Analysis of external revenues:								
Revenues from contracts with customers								
Assets and services transferred at a point in time	19.4	28.4	318.0	218.3	–	–	337.4	246.7
Assets and services transferred over time	243.2	138.0	434.6	499.6	–	–	677.8	637.6
Other revenue								
Rental income (excludes outgoings recoveries)	1.4	2.5	4.2	11.9	–	–	5.6	14.4
Total external revenues	264.0	168.9	756.8	729.8	–	–	1,020.8	898.7
Reportable segment profit before income tax	166.7	151.8	279.6	166.3	4.0	2.2	450.3	320.3
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)	68.9	42.2	11.3	7.2	4.0	2.2	84.2	51.6
Material non-cash items not included in reportable segment profit before income tax								
Share of fair value adjustments in equity accounted investments	105.7	32.3	14.4	9.7	16.9	10.4	137.0	52.4
Statement of financial position								
Reportable segment assets	1,405.1	979.8	855.4	696.0	202.2	109.8	2,462.7	1,785.6
Investments accounted for using the equity method (included in reportable segment assets)	882.9	675.5	147.7	122.3	196.3	109.4	1,226.9	907.2
Total non-current assets	993.9	773.1	472.8	310.4	196.3	109.4	1,663.0	1,192.9
Reportable segment liabilities	76.2	50.3	73.3	83.1	–	–	149.5	133.4

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

	2019 \$M	2018 \$M
Revenue		
Total revenue for reportable segments	1,020.8	898.7
Consolidated revenues	1,020.8	898.7
Profit or loss		
Total profit before income tax for reportable segments	450.3	320.3
Corporate expenses not allocated to reportable segments	(38.3)	(28.4)
	412.0	291.9
Valuation and other adjustments not included in reportable segment profit before income tax:		
– Share of fair value adjustments in equity accounted investments	137.0	52.4
– Share based payments expense	(54.8)	(28.4)
Net finance expense – refer to note 10	(33.0)	(21.3)
Consolidated profit before income tax	461.2	294.6
Assets		
Total assets for reportable segments	2,462.7	1,785.6
Other unallocated amounts ¹	408.0	361.3
Consolidated total assets	2,870.7	2,146.9
Liabilities		
Total liabilities for reportable segments	149.5	133.4
Other unallocated amounts ¹	1,413.1	1,049.5
Consolidated total liabilities	1,562.6	1,182.9

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

Notes to the consolidated financial statements

Results for the year (continued)

4 Income tax expense

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(a) Taxation in the statement of comprehensive income

	2019 \$M	2018 \$M
Current tax expense – Hong Kong profits tax		
Current year	(3.6)	(7.3)
Adjustment for prior periods	0.6	0.4
	(3.0)	(6.9)
Current tax expense – overseas		
Current year	(30.4)	(15.2)
Adjustment for prior periods	1.1	(0.2)
	(29.3)	(15.4)
Deferred tax expense		
Origination and reversal of temporary differences	(24.9)	(4.6)
Benefit of tax losses recognised	–	0.2
Other	(0.4)	–
	(25.3)	(4.4)
Total income tax expense	(57.6)	(26.7)

The provision for Hong Kong profits tax for year ended 30 June 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates

	2019 \$M	2018 \$M
Profit before income tax	461.2	294.6
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(124.4)	(78.8)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(7.7)	(9.8)
– Non-assessable income	96.0	74.1
– Non-deductible expense	(43.8)	(17.6)
– Utilisation of previously unrecognised tax losses	20.6	5.2
– Adjustment for prior periods	1.7	0.2
Income tax expense	(57.6)	(26.7)

(c) Net income tax payable

	2019 \$M	2018 \$M
Net balance at the beginning of the year	(12.0)	(15.1)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	18.0	26.1
– Net income tax expense on current year's profit	(34.0)	(22.5)
– Adjustment for prior periods	1.7	0.2
– Other	(0.8)	(0.7)
Net balance at the end of the year	(27.1)	(12.0)
Current tax receivables	1.2	2.5
Current tax payables	(28.3)	(14.5)
	(27.1)	(12.0)

Notes to the consolidated financial statements

Results for the year (continued)

4 Income tax expense (continued)

(d) Deferred tax assets and liabilities

Deferred tax assets of \$0.1 million (2018: \$0.2 million) arising from tax losses and deferred tax liabilities of \$30.8 million (2018: \$4.7 million) arising from other receivables were recognised in the consolidated statement of financial position.

5 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$114.7 million (2018: \$222.1 million) which has been dealt with in the financial statements of the Company.

OPERATING ASSETS AND LIABILITIES

6 Property assets

(a) Types of property assets

Investment in property assets includes both inventories and investment properties (including those under development), which may be held either directly or through investments in Partnerships.

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of business. Where property developments are forecast to be completed and sold more than 12 months after the reporting date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes.

Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Changes in the fair value of investment properties are recognised directly in profit or loss.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial statements.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all labour and materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classified as being under development and would be completed properties that are leased or are available for lease to customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to consider whether they reflect their fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

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

	Note	2019 \$M	2018 \$M
Directly held property:			
Inventories			
Current	6(d)	156.6	172.2
Non-current	6(d)	315.2	196.0
		471.8	368.2
Property held by Partnerships:			
Investments accounted for using the equity method – JVs	6(e)	1,226.9	907.2
		1,226.9	907.2

(c) Estimates and assumptions in determining property carrying values

Inventories

For both inventories held directly and inventories held in Partnerships, external valuations are not performed but instead valuations are determined using the feasibility studies supporting the land and property developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant

market. Where the feasibility study calculations indicate that the forecast cost of a completed development will exceed the net realisable value, then the inventories are impaired.

Stabilised investment properties

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted 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 Partnerships.

Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Recent and relevant sales evidence and other market data are taken into account. Valuations are either based on an external, independent valuation or on an internal valuation.

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:

- + function of the asset (distribution/warehouse or suburban office);
- + location of the asset (city, suburb or regional area);
- + carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
- + categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure, and/or there has been a change in use (or zoning) of the asset and/or it has been three years since the previous external, independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

Where a market segment is observed to be inactive, then no external, independent valuations are performed and internal valuations are undertaken based on discounted cash flow (DCF) calculations. The DCF calculations are prepared over a 10 year period. The key inputs considered for each individual calculation are rental growth rates, discount rates, market rental rates and letting up incentives. Discount rates are computed using the 10 year bond rate or equivalent in each jurisdiction plus increments to reflect country risk, tenant credit risk and industry risk. Where possible, the components of the discount rate are benchmarked to available market data.

Market assessment

At 30 June 2019, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. Overall weighted average capitalisation rates for the divisional portfolios (including Partnerships) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2019 %	2018 %
Asia	5.6	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.

(d) Inventories

	2019 \$M	2018 \$M
Current		
Land and development properties	156.6	172.2
	156.6	172.2
Non-current		
Land and development properties	315.2	196.0
	315.2	196.0

No impairment losses on land and development properties was recognised in the current and comparative financial years.

(e) Investments accounted for using the equity method

The Consolidated Entity's principal Partnerships are set out below:

Name	Country of establishment	Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2019 \$M	2018 \$M	2019 %	2018 %	2019 \$M	2018 \$M
Property investment							
KWASA Goodman Germany ("KGG")	Luxembourg	22.9	16.4	19.3	19.7	140.8	121.8
Property development							
Goodman Japan Development Partnership ("GJDP")	Japan	53.3	17.5	50.0	50.0	189.4	125.1
Property investment and development							
Goodman China Logistics Partnership ("GCLP")	Cayman Islands	122.6	58.5	20.0	20.0	690.3	545.8
Goodman UK Partnership ("GUKP")	United Kingdom	20.9	12.6	33.3	33.3	196.3	109.4
Other JVs		1.5	(1.0)			10.1	5.1
		221.2	104.0			1,226.9	907.2

GJDP undertakes property development activities, with completed developments sold at, or shortly after, completion depending on leasing status. The Consolidated Entity's other Partnerships have a long-term remit to hold investment properties to earn rental income and for capital appreciation, although they will undertake developments when an appropriate opportunity arises.

The reconciliation of the carrying value at the beginning to the carrying value at the end of the year is set out as follows:

	2019 \$M	2018 \$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	907.2	651.4
Share of net results after tax (before fair value adjustments)	84.2	51.6
Share of fair value adjustments	137.0	52.4
Share of net results after tax	221.2	104.0
Share of movements in reserves	(39.8)	26.6
Acquisitions	189.0	182.8
Capital return	(50.1)	(60.5)
Dividends/distributions received and receivable	(52.0)	(34.5)
Effect of foreign currency translation	51.4	37.4
Carrying amount at the end of the year	1,226.9	907.2

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

6 Property assets (continued)

Summary financial information of JVs

The following table summarises the financial information of the material Partnerships as included in their own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Consolidated Entity's interest in the JVs.

	GCLP		KGG		GUKP		GJDP	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	218.1	191.3	14.5	57.9	21.0	3.5	150.8	93.0
Other current assets	32.3	23.4	2.7	2.9	1.2	3.3	36.2	28.6
Total current assets	250.4	214.7	17.2	60.8	22.2	6.8	187.0	121.6
Total non-current assets	4,421.7	3,326.6	1,319.7	1,156.5	572.2	325.1	501.1	413.7
Current liabilities								
Other current liabilities	2,333.4	1,962.1	76.3	49.9	6.8	4.8	6.2	3.0
Total current liabilities	2,333.4	1,962.1	76.3	49.9	6.8	4.8	6.2	3.0
Non-current liabilities								
Financial liabilities (excluding trade payables and other provisions)	503.5	428.2	530.3	514.6	–	–	283.2	280.4
Other non-current liabilities	456.2	215.7	–	33.8	–	–	17.1	3.1
Total non-current liabilities	959.7	643.9	530.3	548.4	–	–	300.3	283.5
Net assets (100%)	1,379.0	935.3	730.3	619.0	587.6	327.1	381.6	248.8
Consolidated ownership interest (%)	20.0	20.0	19.3	19.7	33.3	33.3	50.0	50.0
Consolidated share of net assets	275.8	187.1	140.8	121.8	195.9	109.0	190.8	124.4
Shareholder loans ¹	411.2	355.6	–	–	–	–	–	–
Other items, including acquisition costs	3.3	3.1	–	–	0.4	0.4	(1.4)	0.7
Carrying amount of interest in JV	690.3	545.8	140.8	121.8	196.3	109.4	189.4	125.1
Summarised statement of comprehensive income								
Revenue	159.9	130.3	63.9	97.2	16.7	9.3	440.3	38.0
Interest expense	(21.2)	(22.2)	(8.3)	(6.9)	(5.6)	–	(0.7)	(0.1)
Income tax expense	(21.4)	(26.8)	(4.1)	(17.2)	–	–	(1.1)	(3.0)
Profit and total comprehensive income (100%)	414.4	425.4	108.6	73.1	62.8	37.9	106.6	34.9
Consolidated share of profit and total comprehensive income	82.8	85.1	22.9	16.4	20.9	12.6	53.3	17.5
Dividends/distributions received and receivable by the Consolidated Entity	6.0	8.8	5.9	6.2	–	–	40.1	19.4

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the directors consider the loans to form part of the Consolidated Entity's investment in GCLP.

7 Receivables

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Loans and receivables comprise trade and other receivables, amounts due from related parties and loans to related parties.

Amounts recoverable on development contracts

Amounts recoverable on development contracts arise when the Consolidated Entity contracts to sell a completed development asset either prior to or during the development phase. The receivables are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less amounts already billed.

Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except inventories, refer to note 6(d); and deferred tax assets, refer to note 4) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in profit or loss in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets and contract assets

The Consolidated Entity recognises an impairment loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Financial assets measured at amortised cost include cash and cash equivalents, trade receivables, amounts and loans due from related parties and other receivables.

Other financial assets measured at fair value are not subject to the ECL assessment.

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

7 Receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls. In measuring ECLs, the Consolidated Entity takes into account information about past events, current conditions and forecasts of future economic conditions.

Impairment loss allowances for trade receivables, amounts due from related parties, other receivables and contract asset are measured at an amount equal to a lifetime ECL. Lifetime ECLs are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Consolidated Entity recognises an impairment loss allowance equal to the expected losses within 12 months after the reporting date on loans to related parties, unless there has been a significant increase in credit risk of the loans since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

		2019	2018
	Note	\$M	Restated ¹ \$M
Current			
Trade receivables		7.8	45.5
Other receivables		50.8	49.7
Amounts due from related parties		89.6	57.9
Loans to related parties	19(c)	408.0	365.5
		556.2	518.6
Non-current			
Loans to related parties	19(c)	82.1	57.5
		82.1	57.5

¹ The comparative figures have been restated to reflect the allocation of certain receivables to contract assets in accordance with HKFRS 15.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the reporting date. There is no material difference between the carrying values and the fair values of receivables.

Trade receivables

No trade receivables were impaired at 30 June 2019 and 2018. There are no significant overdue trade receivables at 30 June 2019.

Other receivables

At 30 June 2019, none of the other receivables balance was overdue or impaired (2018: \$nil).

Amounts due from related parties

At 30 June 2019, none of the amounts due from related parties was overdue or impaired (2018: \$nil). Amounts due from related parties are typically repayable within 30 days. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and GIT and loans to JVs. Refer to note 19(c) for details of loans to related parties. During the year, no impairment losses were recognised on loans to related parties (2018: nil impairment). The loans to related parties are unsecured.

8 Contract balances

Contract assets primarily comprise amounts recoverable from fixed price development contracts (disclosed net of any payments received on account) and accrued performance fee income where the Consolidated Entity assesses that the income can be reliably measured.

Contract liabilities primarily comprise deposits and other amounts received in advance for development contracts and rental guarantees.

The following table provides an analysis of receivables from contracts with customers (excluding rental income receivables), contract assets and contract liabilities at the reporting dates:

	2019	2018
	\$M	Restated ¹ \$M
Current		
Receivables from contracts with customers, which are included in trade receivables, other receivables and amounts due from related parties	100.0	102.6
Contract assets	279.5	141.0
Contract liabilities	5.2	21.9
Non-current		
Contract liabilities	3.0	3.7

1. The comparative figures have been restated to reflect the allocation of certain balances to contract assets and liabilities in accordance with HKFRS 15.

Significant changes in the contract assets and the contract liabilities balances during the year are set out below:

	2019		2018	
	Contract assets \$M	Contract liabilities \$M	Contract assets \$M	Contract liabilities \$M
Balance at the beginning of the year	141.0	25.6	321.4	20.4
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(17.6)	–	(13.4)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	–	17.2
Transfers from contract assets to receivables	(384.1)	–	(618.4)	–
Increase due to changes in the measure of progress during the year	513.9	–	423.0	–
Effect of foreign currency translation	8.7	0.4	14.8	1.2
Other	–	(0.2)	0.2	0.2
	279.5	8.2	141.0	25.6
Current contract assets and liabilities	279.5	5.2	141.0	21.9
Non-current contract liabilities	–	3.0	–	3.7
	279.5	8.2	141.0	25.6

Notes to the consolidated financial statements

Operating assets and liabilities (continued)

8 Contract balances (continued)

Transaction price allocated to the remaining contract obligations

The amount of the transaction price allocated to the remaining performance obligations under the Consolidated Entity's existing contracts is \$21.9 million. This amount represents revenue expected to be recognised in the future from ongoing management and fixed price development contracts with customers. The Consolidated Entity will recognise the expected revenue in the future as the work is completed, which is expected to be within the next 12 months.

In addition, the Consolidated Entity receives investment management, development management and property services fees under various contracts that it has with its Partnerships. These contracts are for varying lengths of time and are typically transacted on terms that are consistent with market practice. The revenues under these contracts are linked to the assets under management, total development project costs or gross property income of the Partnerships and are invoiced as the services are provided.

9 Payables

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Entity has classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial

liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and loans from related parties (refer to note 19(c)).

	2019	2018
Note	\$M	Restated ¹ \$M
Current		
Trade payables	26.9	38.1
Other payables and accruals	195.4	46.8
Loans from related parties	19(c) 851.7	798.1
	1,074.0	883.0
Non-current		
Other payables and accruals	49.3	44.7
Loans from related parties	19(c) 250.7	98.9
	300.0	143.6

¹ The comparative figures have been restated to reflect the allocation of certain payables to contract liabilities in accordance with HKFRS 15.

CAPITAL MANAGEMENT

10 Finance income and expense

Finance income

Interest is recognised on an accruals basis using the effective interest rate method, and, if not received at the reporting date, is reflected in the statement of financial position as a receivable.

Finance expense

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective interest rate basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs. Finance costs relating to a qualifying asset are

capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

	Note	2019 \$M	2018 \$M
Finance income			
Interest income on loans to:			
– Related parties	19(c)	3.8	2.8
– Other parties		0.6	0.3
		4.4	3.1
Finance expense			
Interest expense from related party loans	19(c)	(37.2)	(30.5)
Other borrowing costs		(0.4)	(0.4)
Fair value adjustments on derivative financial instruments		(6.7)	–
Foreign exchange loss		(0.1)	–
Capitalised borrowing costs		7.0	6.5
		(37.4)	(24.4)
Net finance expense		(33.0)	(21.3)

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.5% and 5.9% per annum (2018: 0.9% and 5.9% per annum).

11 Other financial assets and liabilities

Other financial assets and liabilities are recognised initially on the trade date at which the Consolidated Entity become a party to the contractual provisions of the instrument.

Derivative financial instruments and hedging

The Consolidated Entity uses derivative financial instruments to hedge its economic exposure to foreign exchange and interest rate risks arising from operating, investing and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for speculative trading purposes.

The Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly movements in the fair value of derivative financial instruments are recognised in profit or loss.

Investments in unlisted securities

Subsequent to initial recognition, investments in unlisted securities are measured at fair value and changes therein are recognised as other comprehensive income and presented in the asset revaluation reserve in equity. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in comprehensive income and are never reclassified to profit or loss. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to retained earnings.

Other financial assets

	2019 \$M	2018 \$M
Non-current		
Investment in unlisted securities, at fair value ¹	28.2	21.5
	28.2	21.5

1. Principally relates to the Consolidated Entity's 10.0% (2018: 10.0%) interest in Goodman Japan Limited. During the year, a revaluation gain of \$3.0 million was recognised in other comprehensive income (2018: no gain or losses). Refer to note 12(d) for assumptions made in measuring fair value of the unlisted securities.

Other financial liabilities

	2019 \$M	2018 \$M
Non-current		
Derivative financial instruments ¹	6.7	–
	6.7	–

1. During the year, the Consolidated Entity entered into cross currency interest rate swaps ("CCIRS") to hedge the net investment in Europe.

Notes to the consolidated financial statements

Capital management (continued)

12 Financial risk management

The Consolidated Entity's capital management and financial risk management processes are managed as part of the wider Goodman Group. There are established policies, documented in Goodman Group's financial risk management ("FRM") policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

Goodman Group's treasury function is responsible for monitoring the day to day compliance with Goodman Group's FRM policies and prepares reports for consideration by management committees and Goodman Group's Board including:

- + cash flow projections over a period of at least 12 months to assess the level of cash and undrawn facilities, and headline gearing at each month end;
- + debt maturity profile, to allow the Goodman Group to plan well in advance of maturing facilities;
- + interest rate hedge profile over the next 10 years, to allow Goodman Group to manage the proportion of fixed and floating rate debt in accordance with its FRM policy; and
- + capital hedge position (by currency) and profile of expiring currency derivatives, to allow Goodman Group to manage its net investment hedging in accordance with its FRM policy.

Any significant investments or material changes to the finance facilities or FRM policies require approval by the Goodman Group Board.

The Consolidated Entity's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to transactional foreign currency risk and net investment foreign currency risk through its investments in Hong Kong, Japan, China, Continental Europe and the United Kingdom. Foreign exchange risk represents the loss that would be recognised from adverse fluctuations in currency prices as a result of future commercial transactions, recognised assets and liabilities and, principally, net investments in foreign operations.

Goodman Group manages foreign currency exposure on a consolidated basis. In managing foreign currency risks, Goodman Group aims to reduce the impact of short-term fluctuations on earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

Goodman Group's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as CCIRS.

During the year, the Consolidated Entity entered into CCIRS to hedge its net investment in Continental Europe. The CCIRS have a principal amount payable and receivable on maturity in FY26 of EUR 495.0 million and AUD 803.0 million respectively. A fair value loss of \$6.7 million was recognised in profit or loss on revaluation of the CCIRS at 30 June 2019.

The Consolidated Entity has minimal transactional foreign exchange risk as the majority of transactions in each division are in the functional currency of each division.

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2018: 5%) stronger against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by \$31.5 million (2018: \$17.4 million). If the Australian dollar had been 5% (2018: 5%) weaker against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by \$31.5 million (2018: \$17.4 million).

Interest rate risk

The Consolidated Entity's interest rate risk arises from variable rate borrowings with related parties and CCIRS.

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings at 30 June 2019, if interest rates on borrowings had been 100 basis points per annum (2018: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders for the financial year would have been \$6.9 million lower/higher (2018: \$5.4 million lower/higher).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties in Goodman Group.

Notes to the consolidated financial statements

Capital management (continued)

12 Financial risk management (continued)

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Upt to 12 months \$M	1 – 2 year(s) \$M	2 – 3 years \$M	3 – 4 years \$M	4 – 5 years \$M	More than 5 years \$M
As at 30 June 2019								
Non-derivative financial liabilities								
Trade and other payables	271.6	271.6	222.3	49.3	–	–	–	–
Loans from related parties	1,102.4	1,132.1	857.5	5.8	6.0	6.1	137.9	118.8
Total non-derivative financial liabilities	1,374.0	1,403.7	1,079.8	55.1	6.0	6.1	137.9	118.8
Derivative financial liabilities								
Gross settled¹:								
(Inflow)	–	(89.8)	(13.8)	(13.2)	(13.3)	(15.0)	(14.2)	(20.3)
Outflow	6.7	94.6	–	–	–	–	0.5	94.1
Total derivative financial liabilities	6.7	4.8	(13.8)	(13.2)	(13.3)	(15.0)	(13.7)	73.8
As at 30 June 2018								
Non-derivative financial liabilities								
Trade and other payables	129.6	129.6	84.9	44.7	–	–	–	–
Loans from related parties	897.0	919.2	801.2	3.4	3.5	3.6	42.3	65.2
Total non-derivative financial liabilities	1,026.6	1,048.8	886.1	48.1	3.5	3.6	42.3	65.2

1. Gross settled includes CCIRS.

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to notes 7 and 15(a)).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk.

In relation to material bank deposits, the Consolidated Entity minimises credit risk by dealing with major financial institutions. The counterparty must have a stable, long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

From time to time, the Consolidated Entity also makes loans to JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

During the current and prior year, credit risk arising from cash and cash equivalents, trade receivables, amounts and loans due from related parties and other receivables were not determined to be significant and no impairment losses were recognised.

The credit risks associated with derivative financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment grade credit rating;
- + utilising International Swaps and Derivatives Association (“ISDA”) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below); and
- + formal review of the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting or similar agreements

Goodman Group enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

(d) Fair values of financial instruments

Except for derivative financial instruments and investments in unlisted securities which are carried at fair value, the Consolidated Entity’s financial instruments are carried at cost or amortised cost. The carrying amounts of the Consolidated Entity’s financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2019 and 2018.

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 1(g)):

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Level 4 \$M
As at 30 June 2019				
Investment in unlisted securities, at fair value	–	–	28.2	28.2
	–	–	28.2	28.2
Derivative financial liabilities	–	6.7	–	6.7
	–	6.7	–	6.7
As at 30 June 2018				
Investment in unlisted securities, at fair value	–	–	21.5	21.5
	–	–	21.5	21.5

There were no transfers between the levels during the year.

Notes to the consolidated financial statements

Capital management (continued)

12 Financial risk management (continued)

(ii) Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by the Consolidated Entity consist of CCIRS.

The fair value of derivative 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.

The fair value measurement for investment in unlisted securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities + Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows expected to be generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate	+ Assets under management of \$4.3 billion in year five + Average annual development of 100,600 sqm + Five year terminal value growth rate of 0.62% + Risk adjusted discount rate of 7.24% per annum	The estimated fair value would increase/(decrease) if: + the level of development activity, assets under management and terminal value growth rate were higher/(lower); or + the risk adjusted discount rate were lower/(higher)

(iii) Reconciliation of Level 3 fair values

	2019 \$M	2018 \$M
Carrying amount at the beginning of the year	21.5	20.5
Acquisitions	1.8	–
Net change in fair value – included in other comprehensive income	3.0	–
Effect of foreign currency translation	1.9	1.0
Carrying amount at the end of the year	28.2	21.5

13 Dividends

During the financial year, the Company declared a final dividend of 5.0 cents per share amounting to \$90.7 million. The dividend is payable out of FY19 profit after tax. In the prior year, the Company declared a final dividend of 5.0 cents per share amounting to \$90.0 million out of FY18 profit after tax.

14 Share capital

(a) Ordinary shares

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to issues of ordinary shares are recognised as a deduction from equity, net of any tax effects.

	2019	2018	2019	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 30 June 2018	1,800,763,877	675.2
Shares issued to employees of Goodman Group ¹	13,118,118	21.4
Balance at 30 June 2019	1,813,881,995	696.6

1. During the year, the Company issued 13,118,118 (2018: 11,642,734) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan ("LTIP") and Goodman Group Tax Exempt Plan.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the consolidated financial statements

Capital management (continued)

14 Share capital (continued)

(b) Equity settled share based payment transactions

LTIP

Goodman Group's share based payments primarily relate to performance rights awarded to employees under the LTIP. These performance rights entitle an employee to either acquire Goodman Group securities for \$nil consideration (equity settled performance rights) or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities (cash settled performance rights), subject to the vesting conditions having been satisfied.

During the year, the movement in the number of equity settled and cash settled performance rights under the LTIP was as follows:

	Number of rights	
	2019	2018
Outstanding at the beginning of the year	20,633,959	18,967,105
Issued	6,628,500	6,848,150
Vested	(3,674,423)	(3,418,555)
Forfeited	(2,287,820)	(1,762,741)
Outstanding at the end of the year	21,300,216	20,633,959
Exercisable at the end of the year	–	–

Share based payments transactions

The fair value of equity settled performance rights at the grant date is expensed with a corresponding increase in the employee compensation reserve over the vesting period. The expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to retained earnings/(accumulated losses).

The fair value of cash settled performance rights is also recognised as an expense but with a corresponding increase in liabilities over the vesting period. The expense is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The liability is remeasured at each reporting date and at the vesting date based on the fair value of the rights.

The fair value of services received in return for performance rights granted under the LTIP is measured by reference to the fair value of the performance rights granted. The fair value of the performance rights granted during the year was measured as follows:

- + operating EPS tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend/distribution yield; and
- + Relative TSR tranche: these rights were valued using a Monte Carlo model which simulated total returns for each of the ASX 100 stocks and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance.

The model inputs for performance rights, both equity and cash settled, awarded during the current financial year included the following:

	Rights issued on 15 Nov 2018	Rights issued on 28 Sep 2018
Fair value at measurement date (\$)	8.72	8.52
Security price (\$)	10.33	10.36
Exercise price (\$)	–	–
Expected volatility (%)	18.27	18.65
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	2.71	2.70
Average risk free rate of interest per annum (%)	2.26	2.21

Share based payment expense included in profit or loss was as follows:

	2019 \$M	2018 \$M
Share based payment expense:		
Equity settled	18.6	13.7
Cash settled	36.2	14.7
	54.8	28.4

At 30 June 2019, a liability of \$44.9 million (2018: \$22.1 million) was recognised in relation to cash settled performance rights.

OTHER ITEMS

15 Notes to the consolidated cash flow statement

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(a) Reconciliation of cash

Cash as at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	2019 \$M	2018 \$M
Cash assets	212.7	115.5

Notes to the consolidated financial statements

Other items (continued)

15 Notes to the consolidated cash flow statement (continued)

(b) Reconciliation of profit for the year to net cash provided by operating activities

	2019 \$M	2018 \$M
Profit for the year	403.6	267.9
Items classified as investing activities		
Net gain on disposal of equity accounted investments	(4.8)	(0.7)
Non-cash items		
Depreciation of plant and equipment	2.0	2.5
Share based payments expense	54.8	28.4
Share of net results of equity accounted investments	(221.2)	(104.0)
Net finance expense	33.0	21.3
Income tax expense	57.6	26.7
	325.0	242.1
Changes in assets and liabilities during the year:		
– (Increase)/decrease in receivables	(121.8)	158.5
– Increase in inventories	(91.6)	(29.5)
– Decrease/(increase) in other assets	2.5	(6.7)
– Increase in payables	90.9	44.4
– (Decrease)/increase in provisions (including employee benefits)	(0.3)	4.1
	204.7	412.9
Dividends/distributions received from equity accounted investments	52.0	34.5
Net finance costs (paid)/received	(0.2)	0.4
Net income taxes paid	(18.0)	(26.1)
Net cash provided by operating activities	238.5	421.7

(c) Reconciliation of liabilities arising from financing activities

	Derivatives used for hedging \$M	Dividends payable \$M	Loans to/(from) related parties \$M
Balance at 1 July 2018	–	(90.0)	(474.0)
Changes from financing cash flows			
Net proceeds from loans with related parties	–	–	(78.5)
Distributions paid	–	90.0	–
Total changes from financing cash flows	–	90.0	(78.5)
Effect of foreign exchange movements	–	–	(26.4)
Changes in fair value	(6.7)	–	–
Other changes			
Interest income	–	–	3.8
Interest expense	–	–	(37.2)
Dividends declared	–	(90.7)	–
Total other changes	–	(90.7)	(33.4)
Balance at 30 June 2019	(6.7)	(90.7)	(612.3)

16 Reserves

	Note	Consolidated		Company	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Asset revaluation reserve	16(a)	14.2	11.2	14.2	11.2
Foreign currency translation reserve	16(b)	48.3	46.3	–	–
Employee compensation reserve	16(c)	28.2	21.0	28.2	21.0
Common control reserve ¹	16(d)	(538.1)	(538.1)	–	–
Total reserves		(447.4)	(459.6)	42.4	32.2

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.

Notes to the consolidated financial statements

Other items (continued)
16 Reserves (continued)

The movements in reserves of the Consolidated Entity and the Company are analysed below:

	Consolidated		Company	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
(a) Asset revaluation reserve				
Balance at the beginning of the year	11.2	11.2	11.2	11.2
Increase due to revaluation of other financial assets	3.0	–	3.0	–
Balance at the end of the year	14.2	11.2	14.2	11.2
(b) Foreign currency translation reserve				
Balance at the beginning of the year	46.3	(37.7)	–	–
Net exchange differences on conversion of foreign operations	2.0	84.0	–	–
Balance at the end of the year	48.3	46.3	–	–
(c) Employee compensation reserve				
Balance at the beginning of the year	21.0	15.9	21.0	15.9
Equity settled share based payment transactions	7.2	5.1	7.2	5.1
Balance at the end of the year	28.2	21.0	28.2	21.0
(d) Common control reserve				
Balance at the beginning of the year	(538.1)	(538.1)	–	–
Balance at the end of the year	(538.1)	(538.1)	–	–

17 Retained earnings

	Note	Consolidated		Company	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
Balance at the beginning of the year		726.6	554.0	229.7	97.6
Profit for the year		398.9	262.6	114.7	222.1
Dividends declared	13	(90.7)	(90.0)	(90.7)	(90.0)
Balance at the end of the year		1,034.8	726.6	253.7	229.7

18 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Consolidated Entity. The class of shares held is ordinary unless otherwise stated.

Significant controlled companies	Principal activities	Country of incorporation	Interest held	
			2019 %	2018 %
Goodman Asia Limited	Investment and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman China Asset Management Limited	Investment management	Cayman Islands	100.0	100.0
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
GELF Management (Lux) Sàrl	Investment management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman UK Holdings (HK) Limited	Intermediate holding company	United Kingdom	100.0	100.0

19 Related party transactions

Related parties

- (i) A person, or a close member of that person's family, is related to the Company if that person:
- (1) has control or joint control over the Company;
 - (2) has significant influence over the Company; or
 - (3) is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions applies:
- (1) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (2) one entity is an associate or JV of the other entity (or an associate or JV of a member of a group of which the other entity is a member);
 - (3) both entities are JVs of the same third party;
 - (4) one entity is a JV of a third entity and the other entity is an associate of the third entity;
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (6) the entity is controlled or jointly controlled by a person identified in (i);
 - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or the Company's parent.
- Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the consolidated financial statements

Other items (continued)

19 Related party transactions (continued)

(a) Directors' remuneration

Directors' remuneration (including alternate directors) disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2019 \$M	2018 ¹ \$M
Directors' fees	0.6	0.7
Salaries, allowances and benefits in kind	3.7	1.7
Share based payments	14.8	6.9
	19.1	9.3

1. Goodman and Daniel Peeters were appointed directors on 1 February 2018. The figures disclosed include their remuneration for the period from 1 February 2018 to 30 June 2018.

(b) Transactions and amounts due from related parties

	Management and development activities		Amounts due from related parties ¹	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
JVs				
GCLP	58.6	54.4	34.9	29.6
KGG	52.5	140.2	–	–
	111.1	194.6	34.9	29.6
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	191.8	56.0	194.3	37.0
Goodman European Partnership	441.9	320.9	44.4	30.0
Other related parties	6.7	4.9	3.5	5.5
	640.4	381.8	242.2	72.5

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

Transactions with GL

During the year, the Consolidated Entity recognised transaction management fees of \$97.4 million (2018: \$22.6 million), which will be payable to a controlled entity of GL in FY20. In the comparative year, the Consolidated Entity acquired an additional 4.0% equity interest in GJDP from a controlled entity of GL for consideration of \$3.1 million.

(c) Financing arrangements with related parties

	Loans to related parties ¹		Loans from related parties ¹		Interest income/ (expense) charged on loans to/from related parties	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M	2019 \$M	2018 \$M
JVs	78.5	40.5	–	–	0.3	0.3
GL, GIT and their controlled entities	408.0	361.3	(1,102.4)	(897.0)	(33.7)	(28.4)
Related parties of GL and GIT						
Goodman European Partnership	3.6	21.2	–	–	–	0.4
Related parties of GL and GIT	3.6	21.2	–	–	–	0.4
	490.1	423.0	(1,102.4)	(897.0)	(33.4)	(27.7)

1. Loans by the Consolidated Entity to/from JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2019, details in respect of the principal loan balances are set out below:
- + loans to GIT and its subsidiaries amounting to \$408.0 million (2018: \$361.3 million) are interest bearing and repayable on demand. The interest bearing loans incur interest at rates ranging from 0.7% to 1.0% per annum (2018: 0.7% to 1.6% per annum)
 - + loans from GL, GIT and their controlled entities are interest bearing and amount to \$1,102.4 million (2018: \$897.0 million). \$851.7 million of the loans is repayable on demand and \$250.7 million is repayable greater than one year from the reporting date. The interest bearing loans incur floating interest at rates ranging from 1.6% to 5.0% per annum (2018: 0.9% to 5.9% per annum); and
 - + a shareholder loan of \$3.6 million (2018: \$21.2 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Partnership, and incurred interest at 6.9% per annum (2018: 6.9% per annum).

20 Commitments**Non-cancellable lease commitments**

	2019 \$M	2018 \$M
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	9.1	7.4
– One year or later and no later than five years	12.9	14.3
– Later than five years	–	0.4
	22.0	22.1
Future commitments in respect of development land leased by the Consolidated Entity and held as inventories. These amounts are not provided for in the financial statements and payable:		
– Within one year	1.1	1.8
– One year or later and no later than five years	4.6	11.0
– Later than five years	35.6	101.4
	41.3	114.2

At 30 June 2019, the Consolidated Entity was also committed to \$274.8 million (2018: \$191.6 million) expenditure in respect of inventories and other development activities.

Notes to the consolidated financial statements

Other items (continued)

21 Contingencies

Capitalisation Deed Poll

GLHK, GL, GIT and certain of their wholly-owned controlled entities are “investors” under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

United States and Reg S senior notes

Under the issue of notes in the United States 144A/Reg S bond market, controlled entities of GIT had on issue USD and EUR notes amounting to US\$1,303.8 million and €500.0 million respectively. GL, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

22 Company level statement of financial position

	Note	2019 \$M	2018 \$M
Current assets			
Cash		106.0	37.9
Receivables		258.0	226.0
Total current assets		364.0	263.9
Non-current assets			
Investments in subsidiaries		793.5	721.2
Other financial assets		182.7	140.5
Total non-current assets		976.2	861.7
Total assets		1,340.2	1,125.6
Current liabilities			
Payables		–	0.2
Dividends payable		90.7	90.0
Total current liabilities		90.7	90.2
Non-current liabilities			
Payables		250.7	98.9
Other financial liabilities		6.7	–
Total non-current liabilities		257.4	98.9
Total liabilities		348.1	189.1
Net assets		992.1	936.5
Equity attributable to Shareholders			
Share capital		696.0	674.6
Reserves	16	42.4	32.2
Retained earnings	17	253.7	229.7
Total equity attributable to Shareholders		992.1	936.5

The company level statement of financial position was approved and authorised for issue by the board of directors on 23 August 2019.



Ian Douglas Ferrier AM
Director



David Jeremy Collins
Director

23 Subsequent events

On 19 August 2019, the Consolidated Entity acquired a number of entities operating in the United Kingdom from Goodman Limited for consideration of GBP 1.8 million.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Securities information

Top 20 Securityholders As at 29 August 2019	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	705,361,384	38.89
2. J P Morgan Nominees Australia Limited	571,656,949	31.52
3. Citicorp Nominees Pty Limited	156,554,152	8.63
4. National Nominees Limited	73,751,533	4.07
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	54,295,078	2.99
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	31,813,416	1.75
7. BNP Paribas Noms Pty Ltd <DRP>	28,443,298,	1.57
8. Trison Investments Pty Ltd	16,874,053	0.93
9. Beeside Pty Limited <The Beeside A/C>	13,192,040	0.73
10. AMP Life Limited	10,793,339	0.60
11. HSBC Custody Nominees (Australia) Limited – GSCO ECA	4,959,900	0.27
12. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	4,511,017	0.25
13. UBS Nominees Pty Ltd	4,429,793	0.24
14. Australian Foundation Investment Company Limited	3,805,000	0.21
15. HSBC Custody Nominees (Australia) Limited	3,749,206	0.21
16. BNP Paribas Noms (NZ) LTD <DRP>	3,480,854	0.19
17. National Nominees Limited <N A/C>	3,028,754	0.17
18. Custodial Services Limited, Beneficiaries Holding A/C>	2,040,804	0.11
19. Avanteos Investments Limited <Encircle IMA A/C>	1,797,874	0.10
20. HSBC Custody Nominees (Australia) Limited <A/C 2>	1,764,293	0.10
Securities held by top 20 Securityholders	1,696,302,737	93.52
Balance of securities held	117,579,258	6.48
Total issued securities	1,813,881,995	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1–1,000	10,651	4,993,626	0.28
1,001–5,000	12,211	29,533,064	1.63
5,001–10,000	2,737	19,402,044	1.07
10,001–100,000	1,524	32,404,512	1.79
100,001–over	97	1,727,548,749	95.24
Rounding			-0.01
Total	27,220	1,813,881,995	100.00

There were 617 Securityholders with less than a marketable parcel in relation to 3,501 securities as at 29 August 2019.

Substantial Securityholders¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Vanguard Group Inc.	165,056,520
Blackrock Investment Management Limited	147,689,591
State Street Global Advisers	92,194,481

1. In accordance with latest Substantial Securityholder Notices as at 29 August 2019.

Goodman Logistics (HK) Limited CHESSE Depository Interests

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

Voting rights

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

On-market buy-back

There is no current on-market buy-back.

Glossary

AASB Australian Accounting Standards Board.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EBIT Operating profit before net finance expense and income tax.

EPS Earnings per security.

GADP Goodman Australia Development Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAIP Goodman Australia Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAP Goodman Australia Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GBLP Goodman Brazil Logistics Partnership.

GCLP Goodman China Logistics Partnership Limited, an unlisted property investment vehicle specialising in the investment of industrial property in China.

GEP Goodman European Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Continental Europe.

GFM Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLP Goodman Hong Kong Logistics Fund, an unlisted property investment vehicle specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCP Goodman Japan Core Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership specialising in the development of industrial property in Japan.

GL Goodman Limited (ABN 69 000 123 071) and where the context requires, its controlled entities.

GMT Goodman Property Trust, a listed property trust on the NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership specialising in the investment of industrial property in North America.

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and where the context requires, its controlled entities.

Goodman Group or **GMG** Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

GUKP Goodman United Kingdom Partnership

KGIP KWASA-Goodman Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

KGG KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence (“AFSL”) authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

S&P Standard & Poor’s: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security.

Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres.

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share and a CDI in respect of a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a “stapled security”.

Stapled Security or **Security** A GIT unit, a GL share and a CDI in respect of a GLHK share which are stapled so that they can only be traded together.

STI Short term incentive.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group’s voting rights.

TSR Total securityholder return.

Unitholder A unitholder of GIT.

Corporate directory

Goodman Group

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839

Responsible Entity of Goodman Industrial Trust
Goodman Funds Management Limited
ABN 48 067 796 641
AFSL Number 223621

Goodman Logistics (HK) Limited
Company No. 1700359
ARBN 155 911 149

Registered offices

Level 17
60 Castlereagh Street
Sydney NSW 2000
Australia
GPO Box 4703
Sydney NSW 2001

Telephone 1300 791 100 (within Australia)
+61 2 9230 7400 (outside Australia)

Facsimile +61 2 9230 7444

Suite 901
Three Pacific Place
1 Queen's Road East
Hong Kong

Telephone +852 2249 3100

Facsimile +852 2525 2070

Email info-au@goodman.com

Website goodman.com

Other offices

Allentown	Guangzhou	New Jersey
Amsterdam	Hamburg	Osaka
Auckland	Hong Kong	Paris
Beijing	Kraków	Poznań
Birmingham	London	Prague
Brisbane	Los Angeles	São Paulo
Brussels	Luxembourg	Shanghai
Budapest	Madrid	Sydney
Chengdu	Melbourne	Tokyo
Düsseldorf	Milan	Warsaw

Directors

**Goodman Limited and
Goodman Funds
Management Limited**

Ian Ferrier AM
Independent Chairman
Greg Goodman
Group Chief Executive Officer

Chris Green
Independent Director

Stephen Johns
Independent Director

Rebecca McGrath
Independent Director

Danny Peeters
Executive Director

Phillip Pryke
Independent Director

Anthony Rozic
Executive Director

Penny Winn
Independent Director

Company Secretary
Carl Bicego

Security Registrar

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Australia
GPO Box 1903
Adelaide SA 5001
Australia

Telephone 1300 723 040 (within Australia)
+61 3 9415 4043 (outside Australia)

Facsimile +61 8 8236 2305

Email investorcentre.com/contact

Website computershare.com

Auditor

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

ASX code

GMG

**Goodman Logistics
(HK) Limited**

Ian Ferrier AM
Independent Chairman

David Collins
Independent Director

Danny Peeters
Executive Director

Company Secretary
**Goodman Secretarial
Asia Limited**

Custodian

The Trust Company Limited
Level 18, 123 Pitt Street
Sydney NSW 2000
Australia

Disclaimer

This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate. This document is not an offer or invitation for subscription or purchase of securities or other financial products. It does not constitute an offer of securities in the United States. Securities may not be offered or sold in the United States unless they are registered under the US Securities Act of 1933 or an exemption from registration is available. This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Goodman Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. All values are expressed in Australian currency unless otherwise stated. September 2019.

