

**APPENDIX 4D**  
**GOODMAN GROUP**  
**(comprising Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited)**  
**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**For the half year ended 31 December 2019**

The Appendix 4D should be read in conjunction with the annual report of Goodman Group for the year ended 30 June 2019. The information included in the Appendix 4D and the interim financial report for the half year ended 31 December 2019 comprises all the information required by ASX Listing Rule 4.2A.

<b>Highlights of results</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>Change</b>	
Operating profit (before specific non-cash and other significant items) attributable to Securityholders (\$M)	530.4	465.0	<b>up</b>	14.1%
Revenue and other income (\$M)	1,391.6	1,796.0	<b>down</b>	(22.5%)
Profit (statutory) attributable to Securityholders (\$M)	810.6	929.2	<b>down</b>	(12.8%)
Diluted operating profit per security (cents)	28.8	25.5	<b>up</b>	12.9%
Interim distribution per GMG security (cents)	15.00	15.00	-	-
Interim distribution (\$M)	274.3	272.1	<b>up</b>	0.8%
Franked amount per security/share (cents)	-	-	-	-
Conduit foreign income	-	-	-	-
Record date for determining entitlements to the distributions	31 Dec 2019	31 Dec 2018		
Date interim distribution is payable	25 Feb 2020	26 Feb 2019		
<b>Distribution reinvestment plan</b>				
Goodman Group's Distribution Reinvestment Plan (DRP) remains suspended.				
Total assets under management (\$B)	49.2	42.9	<b>up</b>	14.7%
External assets under management (\$B)	45.7	39.6	<b>up</b>	15.4%
Total assets (\$M)	15,375.8	14,235.0	<b>up</b>	8.0%
Total liabilities (\$M)	4,299.4	4,227.9	<b>up</b>	1.7%
Net assets (\$M)	11,076.4	10,007.1	<b>up</b>	10.7%
Net tangible assets per security/share (cents)	560.1	505.3	<b>up</b>	10.8%
Total borrowings to net assets ratio (%)	25.6	29.6	<b>down</b>	(13.4%)
Gearing (%)	10.0	6.5	<b>up</b>	53.8%
Contributed equity (\$M)	8,031.7	8,031.7	-	-
Security price (\$)	13.37	10.63	<b>up</b>	25.8%
Number of securities on issue on the ASX (M)	1,828.4	1,813.9	<b>up</b>	0.8%
Market capitalisation (\$M)	24,445.9	19,281.6	<b>up</b>	26.8%
Number of Securityholders	31,784	26,835	<b>up</b>	18.4%

**Controlled entities acquired or disposed**

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

**Associates and joint venture entities**

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

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

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

**Goodman Group**  
**Consolidated interim financial report**  
**for the half year ended 31 December 2019**

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**Goodman Group  
Directors' report  
for the half year ended 31 December 2019**

The directors (Directors) of Goodman Limited (ABN 69 000 123 071) (Company or GL) and Goodman Funds Management Limited (GFML), the responsible entity for Goodman Industrial Trust (ARSN 091 213 839) (Trust), present their Directors' report together with the consolidated interim financial statements of Goodman Limited and the entities it controlled (Goodman or Group) and the consolidated financial statements of Goodman Industrial Trust and the entities it controlled (GIT) at the end of, or during, the half year ended 31 December 2019 (half year or HY20) and the review report thereon.

Shares in the Company, units in the Trust and CHESS Depository Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK) are stapled to one another and are quoted as a single security on the Australian Securities Exchange.

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

**Preparation of the interim consolidated financial report of Goodman Industrial Trust**

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

**Rounding**

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

**Directors**

The Directors of the Company and GFML during the half year and up to 13 February 2020 were:

**Directors**

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Mr Ian Ferrier, AM (Independent Chairman)  
Mr Gregory Goodman (Group Chief Executive Officer)  
Mr Christopher Green (Independent Director)  
Mr Stephen Johns (Independent Director)  
Ms Rebecca McGrath (Independent Director)  
Mr Danny Peeters (Executive Director, Corporate)  
Mr Phillip Pryke (Independent Director)  
Mr Anthony Rozic (Deputy Group Chief Executive Officer and Chief Executive Officer, North America)  
Ms Penny Winn (Independent Director)

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**Company Secretary**

The Company Secretary at any time during the half year and up to 13 February 2020 was Mr Carl Bicego.

**Dividends and distributions**

No dividends were declared by the Company during the half year (HY19: \$nil).

An interim distribution in respect of HY20 of 15.0 cents per security, amounting to \$274.3 million (HY19: \$272.1 million) was determined by GIT during the half year. This interim distribution will be paid on 25 February 2020.

No dividends were declared by GLHK during the half year (HY19: \$nil).

**Goodman Group**  
**Directors' report**  
**for the half year ended 31 December 2019**

**Operating and financial review**

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 continued to be investment in directly and indirectly held industrial property, investment management, property services and property development. The Group's indirect investment in property is via cornerstone holdings in Partnerships (associates and joint ventures (JVs)). Goodman's key operating regions during the half year were Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas.

**Financial highlights**

	2019	2018	Change %
Revenue and other income before fair value adjustments on investment properties (\$M)	1,000.5	1,184.3	(15.5%)
Fair value adjustments on investment properties including share of adjustments for Partnerships (\$M)	391.1	611.7	(36.1%)
Revenue and other income (\$M)	1,391.6	1,796.0	(22.5%)
Profit attributable to Securityholders (\$M)	810.6	929.2	(12.8%)
Total comprehensive income for the half year attributable to Securityholders (\$M)	797.3	1,057.5	(24.6%)
Operating profit (\$M)	530.4	465.0	14.1%
Statutory profit per security - basic (¢)	44.4	51.3	(13.5%)
Operating profit per security (operating EPS) (¢) <sup>1</sup>	28.8	25.5	12.9%
Dividends/distributions in relation to the half year (\$M)	274.3	272.1	0.8%
Dividends/distributions per security in relation to the half year (¢)	15.0	15.0	0.0%
Weighted average number of securities on issue (M)	1,823.7	1,809.5	0.8%

  

	31 Dec 2019	30 Jun 2019	Change %
Total equity attributable to Securityholders (\$M)	11,076.4	10,522.5	5.3%
Number of securities on issue (M)	1,828.4	1,813.9	0.8%
Net tangible assets per security (\$)	5.60	5.34	4.9%
Net assets per security (\$)	6.06	5.80	4.5%
External assets under management (\$B)	45.7	42.9	6.5%
Total assets under management (\$B)	49.2	46.2	6.5%
Development work in progress (\$B) <sup>2</sup>	4.3	4.1	4.9%
Gearing (%) <sup>3</sup>	10.0	9.7	
Interest cover <sup>4</sup> (times)	18.5	19.6	
Liquidity (\$B)	2.4	2.7	
Weighted average debt maturity (years)	6.3	6.6	

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during HY20, 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).

As it is closely aligned with operating cash generation, the Directors consider that Goodman's operating profit is a useful means through which to examine the underlying performance of the business, notwithstanding that operating profit is not an income measure under International Financial Reporting Standards.

2. Development work in progress (WIP) is the end value of active developments across Goodman and its 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 \$228.9 million (30 June 2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$130.5 million (30 June 2019: \$123.6 million).
4. Interest cover is operating profit before net finance expense (operating) and income tax (operating) divided by net finance expense (operating). The calculation is in accordance with the financial covenants associated with the Group's unsecured bank loans and includes certain adjustments to the numerator and denominator, including reversing the impacts of the new lease accounting standard.

**Goodman Group  
Directors' report  
for the half year ended 31 December 2019**

**Operating and financial review (cont)**

**Overview**

Goodman is benefiting from having a quality portfolio in locations close to key urban centres, where supply is constrained. As a consequence, in HY20 high occupancy and rental growth have been maintained, strong demand for new product has continued and further valuation growth has occurred.

Given this strong demand in Goodman's core markets, development activity has increased, with WIP of \$4.3 billion at 31 December 2019.

Total assets under management (AUM) have increased during the half year from \$46.2 billion to \$49.2 billion.

These factors are reflected in the results for HY20, with property investment earnings, management earnings and development earnings each showing growth compared to HY19. The Group's operating profit was \$530.4 million for HY20, a 14.1% increase on HY19, which equated to an operating EPS of 28.8 cents, up 12.9% on HY19.

The level of operating profit forms the basis of the Group's distribution policy and the interim distribution relating to HY20 performance was 15.0 cents per security (cps) (HY19: 15.0 cps), which will be paid on 25 February 2020. At 31 December 2019, gearing was 10.0% and liquidity (cash and undrawn finance facilities) was \$2.4 billion, with no debt maturities in the next 12 months.

Statutory profit for HY20 was \$810.6 million (HY19: \$929.2 million). This included the Group's share of property valuation gains of \$363.7 million and the expense associated with the LTIP of \$87.7 million.

**Analysis of performance**

Goodman's key operating regions are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (primarily Germany 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 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.

**Goodman Group**  
**Directors' report**  
**for the half year ended 31 December 2019**

**Operating and financial review (cont)**

**Analysis of performance (cont)**

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for HY20 are set out in the table below:

	Note	2019 \$M	2018 \$M	Change %
<b>Analysis of operating profit</b>				
Property investment earnings		213.3	181.8	17.3%
Management earnings		219.0	189.4	15.6%
Development earnings <sup>1</sup>		300.1	273.3	9.8%
		732.4	644.5	
Operating expenses		(139.7)	(132.1)	5.8%
		<b>592.7</b>	<b>512.4</b>	
Net finance expense (operating) <sup>2</sup>		(29.9)	(20.3)	47.3%
Income tax expense (operating) <sup>3</sup>		(32.4)	(27.1)	19.6%
<b>Operating profit</b>		<b>530.4</b>	<b>465.0</b>	
<b>Adjustments for:</b>				
<b>Property valuation related movements</b>				
- Net gain from fair value adjustments on investment properties	6(e)	26.2	100.8	
- Share of fair value adjustments attributable to investment properties in Partnerships after tax <sup>1</sup>	6(f)	350.5	510.9	
- Deferred tax on fair value adjustments on investment properties		(13.0)	(15.0)	
		<b>363.7</b>	<b>596.7</b>	
<b>Fair value adjustments and unrealised foreign currency exchange movements related to liability management</b>				
- Fair value adjustments on derivative financial instruments	8	17.8	(45.1)	
- Share of fair value adjustments on derivative financial instruments in Partnerships	6(f)	(2.6)	6.6	
- Unrealised foreign exchange losses	8	-	(11.2)	
		<b>15.2</b>	<b>(49.7)</b>	
<b>Other non-cash adjustments or non-recurring items</b>				
- Share based payments expense		(87.7)	(77.1)	
- Straight lining of rental income and tax deferred adjustments		(11.0)	(5.7)	
		<b>(98.7)</b>	<b>(82.8)</b>	
<b>Profit for the half year attributable to Securityholders</b>		<b>810.6</b>	<b>929.2</b>	

1. In FY19, one of the Partnerships exchanged contracts to sell a development property to a third party. In the period between exchange and settlement, the Group recognised its \$14.4 million share of fair value gain in respect of the property. Settlement occurred in HY20 and this gain has been categorised as development earnings in the HY20 analysis of the Group's performance. The share of fair value adjustments attributable to investment properties in Partnerships has been reduced by \$14.4 million.
2. Net finance expense (operating) excludes derivative mark to market and unrealised foreign exchange movements.
3. Income tax expense (operating) excludes the deferred tax movements relating to investment property valuations.

**Goodman Group**  
**Directors' report**  
**for the half year ended 31 December 2019**

**Operating and financial review (cont)**

**Analysis of performance (cont)**

***Property investment***

The Group's property investment earnings of \$213.3 million increased by 17.3% compared to HY19. Property investment earnings comprised 29.1% of total operating earnings for HY20 (HY19: 28.2%).

The deliberate concentration of Goodman's portfolios in key infill markets has continued to produce positive results for the Group with rental growth and high occupancy levels being maintained. In addition, net property income (NPI) from development completions has increased the Group's share of investment earnings from Partnerships.

- + Partnership like-for-like NPI growth of 3.3%
- + Occupancy maintained at 98%
- + Weighted average lease expiries of 4.7 years.

***Property valuations***

The strong demand for industrial assets in Goodman's markets was maintained during HY20, putting further downward pressure on capitalisation rates, which combined with the high occupancy and underlying rental growth has resulted in valuation gains in the Group's investment property portfolios.

Goodman's share of property valuation gains for HY20 was \$363.7 million (HY19: \$596.7 million) and the weighted average capitalisation rate tightened from 5.10% to 4.93%. The valuation gains from Partnerships included uplifts from the completion of developments.

***Management***

The management division contributed operating earnings of \$219.0 million, an increase of 15.6% compared to HY19. Management earnings comprised 29.9% of total operating earnings for the half year (HY19: 29.4%).

The positive performance of the Partnerships has continued. External AUM increased from \$42.9 billion to \$45.7 billion during HY20 through the demand driven development workbook, strong underlying rental growth, continued high occupancy, tightening cap rates in most markets and currency translation of the overseas assets. This, in turn, has resulted in increased base management fee income with property services income also higher than the HY19, consistent with the increase in overall rental income from the Partnerships.

The strong investment returns from the Partnerships over the past few years resulted in performance related management income of \$65.0 million being recognised in HY20 (HY19: \$55.1 million). With the high investor and occupier demand and the expected growth in developments, the outlook for management revenues, including portfolio performance fees, remains strong in the near term.

***Development***

Development earnings for HY20 were \$300.1 million, an increase of 9.8% compared to HY19. Development earnings comprised 41.0% of total operating earnings for the half year (HY19: 42.4%). During HY20, there were:

- + \$1.7 billion (HY19: \$1.9 billion) of development commencements, of which 61% had pre-committed leases; and
- + \$1.5 billion (HY19: \$2.1 billion) of development completions, of which 80% had pre-committed leases and 90% had been developed for Partnerships and third parties, reflecting the strength in Goodman's locations and the investment demand.

Goodman continued to expand its development activity, growing WIP to \$4.3 billion (based on end value) as demand continued to exceed supply. This activity included the redevelopment of existing stabilised assets in a number of markets. The development pipeline remains strong in all regions and WIP is expected to grow strongly to over \$5 billion in the near term.

- + Development WIP of \$4.3 billion across 55 projects with a forecast yield on cost of 6.5%
- + Continued capital partnering of development projects with 77% of WIP undertaken within or with an agreed sale to Partnerships.

**Operating expenses**

Operating expenses continue to be well controlled. The increase in costs related to general inflation and the impacts of foreign currency translation.

**Goodman Group**  
**Directors' report**  
for the half year ended 31 December 2019

**Operating and financial review (cont)**

**Analysis of performance (cont)**

**Net finance expense (operating)**

Net finance expense (operating), which excluded derivative mark to market movements and unrealised foreign exchange movements, increased to \$29.9 million from \$20.3 million.

Interest income decreased due to the lower average cash balance and the lower interest rates. Interest expense also decreased due to the repayments of debt in both HY19 and HY20 and the lower interest rates associated with the Group's cross currency interest rate derivatives; however, this was partly offset by the adverse impact of the foreign currency translation of the coupon payments on both the debt and the derivatives. Capitalised borrowing costs were also lower compared to HY19 as more of the development activity was undertaken in the Partnerships.

**Income tax expense (operating)**

The increase in HY20 income tax expense (operating) from HY19 is broadly consistent with the increase in the management and development earnings. 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 the Group) are taxed on their respective share of income.

**Statement of financial position**

	31 Dec 2019	30 Jun 2019
	\$M	\$M
Stabilised investment properties	1,830.5	1,756.4
Cornerstone investments in Partnerships	7,448.6	6,920.4
Development holdings	3,041.9	2,991.8
Intangible assets	835.0	840.0
Cash and cash equivalents	1,360.9	1,607.1
Other assets	858.9	797.1
<b>Total assets</b>	<b>15,375.8</b>	<b>14,912.8</b>
Interest bearing liabilities	2,839.2	2,975.0
Other liabilities	1,460.2	1,415.3
<b>Total liabilities</b>	<b>4,299.4</b>	<b>4,390.3</b>
<b>Net assets</b>	<b>11,076.4</b>	<b>10,522.5</b>

The value of directly owned stabilised investment properties increased by \$74.1 million to \$1,830.5 million, primarily due to development completions and valuation increases. The majority of the stabilised investment properties are in Australia and include a number of sites with longer-term potential for redevelopment to higher and better uses.

The value of stabilised assets within Goodman's cornerstone investments in Partnerships increased by \$528.2 million to \$7,448.6 million. This was principally the result of valuation gains on stabilised assets, development completions (including valuation uplifts) and further net equity investments in Partnerships.

Goodman's development holdings (which included the Group's share of developments in Partnerships) increased by \$50.1 million to \$3,041.9 million. Development activity across the Group's portfolios has continued to be strong with WIP increasing to \$4.3 billion from \$4.1 billion at 30 June 2019, of which 77% is within the Partnerships or with an agreed sale to Partnerships (broadly consistent with the position at 30 June 2019). The development balance included an asset held for sale of \$97.5 million, which related to a recent property acquisition in the United Kingdom that will be transferred to a Partnership in the second half of FY20.

The principal intangible asset balance relates to Continental Europe. The movement in the half year was the result of changes in foreign currency exchange rates. There were no additions to or impairments of intangible assets during HY20.

Other assets include receivables and the fair values of certain derivative financial instruments, which hedge the Group's interest rate and foreign exchange rate risks. However, the main reason for the increase compared to 30 June 2019 was the recognition of the right of use assets from the Group's operating leases (primarily office premises). This change was a consequence of the new lease accounting standard that was applied as at 1 July 2019.

Other liabilities include trade and other payables, the provision for the distribution to Securityholders, fair values of certain derivative financial instruments and tax liabilities (including deferred tax). Similar to other assets, the main reason for the movement since 30 June 2019, was due to the recognition of lease liabilities on the adoption of the new lease accounting standard.

**Goodman Group**  
**Directors' report**  
for the half year ended 31 December 2019

**Operating and financial review (cont)**

**Statement of financial position (cont)**

**Liability management**

At 31 December 2019, the Group had a weighted average debt maturity of 6.3 years (30 June 2019: 6.6 years) and had available liquidity (cash and undrawn facilities) of \$2.4 billion. Gearing remained low at 10.0% (30 June 2019: 9.7%) and interest cover was 18.5 times (30 June 2019: 19.6 times), which provided significant headroom relative to Goodman's financing covenants.

The Group's interest bearing liabilities net of cash were \$1,478.3 million at 31 December 2019 compared to \$1,367.9 million at 30 June 2019. During the half year, the Group repaid an external bank loan in Japan and at 31 December 2019 there was no drawn bank debt. The increase in the net liability was primarily a result of the Group's investing activities, including acquisitions and capital expenditure on directly held properties and investments in Partnerships.

**Cash flow**

	<b>2019</b>	<b>2018</b>
	<b>\$M</b>	<b>\$M</b>
Operating cash flows	495.4	398.9
Investing cash flows	(315.8)	(192.7)
Financing cash flows (excluding dividends and distributions)	(152.1)	(326.8)
Dividends and distributions paid	(272.1)	(256.6)
Net decrease in cash and cash equivalents held	(244.6)	(377.2)
Cash and cash equivalents at the beginning of the half year	1,607.1	2,406.8
Effect of exchange rate fluctuations on cash held	(1.6)	33.0
<b>Cash and cash equivalents at the end of the half year</b>	<b>1,360.9</b>	<b>2,062.6</b>

Operating cash inflow was \$495.4 million, an increase of \$96.5 million compared to HY19. This was primarily due to higher net receipts from development activities (including distributions arising from development activities in Partnerships) and receipts of performance related management income. The timing of development receipts can vary period on period as the majority of proceeds for development disposals arise at completion.

Investing cash outflow was \$315.8 million compared to \$192.7 million in HY19. This was primarily due to the net acquisitions of properties during the period of \$166.5 million (HY19: net disposals of \$27.4 million), which included the asset held for sale of \$97.5 million. The investments in Partnerships to fund acquisitions and developments have continued, but the net cash outflow in HY20 was lower than HY19 primarily due to the new debt funding in Goodman North America Partnership.

Financing cash outflow (excluding dividends and distributions) was \$152.1 million (HY19: \$326.8 million), which included the repayment of an external bank loan in Japan. In HY19, the net cash outflow from financing activities included the repayment of interest bearing liabilities denominated in GBP and BRL.

The dividend and distribution paid during HY20 related to the final payment in respect of FY19 and was paid in September 2019.

**Goodman Group  
Directors' report  
for the half year ended 31 December 2019**

**Operating and financial review (cont)**

**Outlook**

The combined effect of robust customer demand, scarcity of land and available space, and competition from alternative uses in Goodman's chosen urban logistics locations, has generated strong property conditions. The deliberate concentration of assets in these key locations has delivered high quality properties for customers and strong returns for the Group and its Partners.

Goodman will continue to refine its portfolio in line with market changes over time, however, the real estate fundamentals in the Group's markets are set to deliver sustainable and competitive growth through high occupancy and sustained rental growth. Performance of the development business continues to be driven by growing customer demand, with development activity expected to exceed \$5 billion. The outlook for the management business remains positive, with total AUM expected to exceed \$50 billion by June 2020 and future AUM growth supported by growing development volumes and revaluations over the next few years.

Goodman is mindful of current global events and continues to monitor them closely. In particular, the Group is managing its operations in relation to the coronavirus conservatively and prudently. The priority has been the health and safety of Goodman's people and customers, especially in China, where the business is being managed flexibly to allow it to operate as efficiently as possible.

At this moment, there has been no evidence to suggest any material impact on Goodman's business has occurred or will occur in the short term. In a slowing global economic environment, demand for industrial assets from customers and investors remains robust, particularly in the limited supply urban infill markets where the Group operates.

Goodman has had a strong start to the financial year and indications for the second half remain positive. As a result, the Directors are increasing the Group's forecast operating EPS for FY20 to 57.3 cents, which is 11% up on FY19. The forecast distribution is maintained at 30.0 cents per security, as previously guided.

**Events subsequent to balance date**

There has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman and GIT, the results of those operations, or the state of affairs of Goodman and GIT, in future financial years.

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

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

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



**Ian Ferrier, AM**  
Independent Chairman



**Gregory Goodman**  
Group Chief Executive Officer

Sydney, 13 February 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Goodman Limited and Goodman Funds Management Limited, as the Responsible Entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the reviews of Goodman Limited and Goodman Industrial Trust for the half-year ended 31 December 2019 there have been:

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

KPMG

Eileen Hoggett  
Partner

Sydney  
13 February 2020

**Goodman Group**  
**Consolidated interim statement of financial position**  
**as at 31 December 2019**

	Goodman			GIT	
	31 Dec 2019	30 Jun 2019		31 Dec 2019	30 Jun 2019
	Note	\$M	\$M	\$M	\$M
<b>Current assets</b>					
Cash and cash equivalents		1,360.9	1,607.1	750.4	1,214.4
Receivables	5	260.1	249.6	2,021.1	1,841.8
Contract assets		203.8	308.1	-	-
Inventories	6(b)	476.3	307.9	-	-
Asset held for sale	6(b)	97.5	-	-	-
Other financial assets		0.2	1.3	0.2	1.3
<b>Total current assets</b>		<b>2,398.8</b>	<b>2,474.0</b>	<b>2,771.7</b>	<b>3,057.5</b>
<b>Non-current assets</b>					
Receivables	5	129.5	124.7	1,790.2	1,431.3
Inventories	6(b)	670.9	761.1	6.7	6.5
Investment properties	6(b)	1,994.1	1,897.1	1,187.3	1,158.6
Investments accounted for using the equity method	6(b)	8,911.1	8,452.4	6,744.7	6,401.0
Deferred tax assets		9.0	6.8	-	-
Other financial assets		364.0	340.4	374.9	399.0
Property, plant and equipment		63.4	16.3	-	-
Intangible assets	7	835.0	840.0	-	-
<b>Total non-current assets</b>		<b>12,977.0</b>	<b>12,438.8</b>	<b>10,103.8</b>	<b>9,396.4</b>
<b>Total assets</b>		<b>15,375.8</b>	<b>14,912.8</b>	<b>12,875.5</b>	<b>12,453.9</b>
<b>Current liabilities</b>					
Payables		439.5	459.3	680.5	707.6
Current tax payables		94.6	92.6	-	-
Provisions		288.4	285.0	274.3	181.4
Lease liabilities		18.8	-	-	-
Other financial liabilities		8.6	12.1	8.6	12.1
<b>Total current liabilities</b>		<b>849.9</b>	<b>849.0</b>	<b>963.4</b>	<b>901.1</b>
<b>Non-current liabilities</b>					
Payables		162.0	172.5	183.4	152.3
Interest bearing liabilities	9	2,839.2	2,975.0	2,840.4	2,864.3
Deferred tax liabilities		138.7	130.1	71.6	62.8
Provisions		21.7	27.3	-	-
Lease liabilities		45.6	-	-	-
Other financial liabilities		242.3	236.4	242.3	229.7
<b>Total non-current liabilities</b>		<b>3,449.5</b>	<b>3,541.3</b>	<b>3,337.7</b>	<b>3,309.1</b>
<b>Total liabilities</b>		<b>4,299.4</b>	<b>4,390.3</b>	<b>4,301.1</b>	<b>4,210.2</b>
<b>Net assets</b>		<b>11,076.4</b>	<b>10,522.5</b>	<b>8,574.4</b>	<b>8,243.7</b>
<b>Equity attributable to Securityholders</b>					
Issued capital	12	8,031.7	8,031.7	7,623.5	7,477.3
Reserves		359.8	397.5	70.4	97.9
Retained earnings		2,684.9	2,093.3	880.5	668.5
<b>Total equity attributable to Securityholders</b>		<b>11,076.4</b>	<b>10,522.5</b>	<b>8,574.4</b>	<b>8,243.7</b>
<b>Comprising:</b>					
Total equity attributable to GL	13(a)	1,108.8	936.2		
Total equity attributable to other entities stapled to GL	13(b)	9,967.6	9,586.3		
<b>Total equity attributable to Securityholders</b>		<b>11,076.4</b>	<b>10,522.5</b>	<b>8,574.4</b>	<b>8,243.7</b>

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

**Goodman Group**  
**Consolidated interim income statement**  
**for the half year ended 31 December 2019**

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
<b>Revenue</b>					
Gross property income	2	63.4	56.0	34.3	38.7
Management income	2	219.0	189.4	-	-
Development income	2	507.2	757.8	0.3	-
Distributions from investments		1.2	-	4.9	-
		<b>790.8</b>	<b>1,003.2</b>	<b>39.5</b>	<b>38.7</b>
<b>Property and development expenses</b>					
Property expenses		(18.3)	(18.3)	(10.6)	(13.4)
Development expenses	2	(277.8)	(520.6)	-	-
		<b>(296.1)</b>	<b>(538.9)</b>	<b>(10.6)</b>	<b>(13.4)</b>
<b>Other income</b>					
Net gain from fair value adjustments on investment properties	6(e)	26.2	100.8	26.0	95.9
Net gain on disposal of investment properties		9.2	13.6	9.3	7.2
Share of net results of equity accounted investments	6(f)	564.7	672.2	429.1	536.7
Net gain on disposal of equity investments		0.7	6.2	-	-
		<b>600.8</b>	<b>792.8</b>	<b>464.4</b>	<b>639.8</b>
<b>Other expenses</b>					
Employee expenses		(101.0)	(95.8)	-	-
Share based payments expense		(87.7)	(77.1)	-	-
Administrative and other expenses		(38.7)	(36.3)	(26.5)	(24.9)
		<b>(227.4)</b>	<b>(209.2)</b>	<b>(26.5)</b>	<b>(24.9)</b>
<b>Profit before interest and tax</b>		<b>868.1</b>	<b>1,047.9</b>	<b>466.8</b>	<b>640.2</b>
<b>Net finance income/(expense)</b>					
Finance income	8	25.9	21.2	122.2	69.1
Finance expense	8	(38.0)	(97.8)	(101.7)	(83.4)
<b>Net finance (expense)/income</b>		<b>(12.1)</b>	<b>(76.6)</b>	<b>20.5</b>	<b>(14.3)</b>
<b>Profit before income tax</b>		<b>856.0</b>	<b>971.3</b>	<b>487.3</b>	<b>625.9</b>
Income tax expense		(45.4)	(42.1)	(1.0)	(13.3)
<b>Profit for the half year</b>		<b>810.6</b>	<b>929.2</b>	<b>486.3</b>	<b>612.6</b>
Profit attributable to GL	13(a)	151.0	81.9		
Profit attributable to other entities stapled to GL	13(b)	659.6	847.3		
<b>Profit for the half year attributable to Securityholders</b>		<b>810.6</b>	<b>929.2</b>		
Basic profit per security (¢)	3(a)	44.4	51.3		
Diluted profit per security (¢)	3(a)	43.2	50.1		

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

**Goodman Group**  
**Consolidated interim statement of comprehensive income**  
**for the half year ended 31 December 2019**

	Goodman		GIT	
	2019	2018	2019	2018
	\$M	\$M	\$M	\$M
<b>Profit for the half year</b>	<b>810.6</b>	<b>929.2</b>	<b>486.3</b>	<b>612.6</b>
<b>Other comprehensive income/(loss) for the half year</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Effect of foreign currency translation	(1.1)	(0.4)	-	-
	<b>(1.1)</b>	<b>(0.4)</b>	<b>-</b>	<b>-</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Increase/(decrease) due to revaluation of other financial assets	-	-	(1.6)	3.7
Cash flow hedges:				
- Change in value of financial instruments	1.8	(2.1)	1.8	(2.1)
Effect of foreign currency translation	(14.0)	130.8	(7.0)	69.4
	<b>(12.2)</b>	<b>128.7</b>	<b>(6.8)</b>	<b>71.0</b>
<b>Other comprehensive income/(loss) for the half year, net of income tax</b>	<b>(13.3)</b>	<b>128.3</b>	<b>(6.8)</b>	<b>71.0</b>
<b>Total comprehensive income for the half year</b>	<b>797.3</b>	<b>1,057.5</b>	<b>479.5</b>	<b>683.6</b>
Total comprehensive income attributable to GL	128.2	111.1		
Total comprehensive income attributable to other entities stapled to GL	669.1	946.4		
<b>Total comprehensive income for the half year attributable to Securityholders</b>	<b>797.3</b>	<b>1,057.5</b>		

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

**Goodman Group**  
**Consolidated interim statement of changes in equity**  
**for the half year ended 31 December 2019**

Half year ended 31 December 2019

Goodman	Attributable to Securityholders									
	Note	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
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Balance at 1 July 2018</b>		8,031.7	(6.9)	1.5	45.3	171.2	(26.1)	185.0	957.0	9,173.7
<b>Total comprehensive income/(loss) for the half year</b>										
Profit for the half year		-	-	-	-	-	-	-	929.2	929.2
<b>Other comprehensive income/(loss)</b>										
Effect of foreign currency translation		-	(0.2)	0.1	130.9	-	(0.4)	130.4	-	130.4
Cash flow hedges:										
- Change in value of financial instruments		-	-	(2.1)	-	-	-	(2.1)	-	(2.1)
Total other comprehensive income/(loss) for the half year, net of income tax		-	(0.2)	(2.0)	130.9	-	(0.4)	128.3	-	128.3
<b>Total comprehensive income/(loss) for the half year, net of income tax</b>		-	(0.2)	(2.0)	130.9	-	(0.4)	128.3	929.2	1,057.5
Transfers		-	-	-	-	(52.6)	-	(52.6)	52.6	-
<b>Contributions by and distributions to owners</b>										
Dividends/distributions on stapled securities	11	-	-	-	-	-	-	-	(272.1)	(272.1)
Equity settled share based payments transactions		-	-	-	-	48.0	-	48.0	-	48.0
<b>Balance at 31 December 2018</b>		8,031.7	(7.1)	(0.5)	176.2	166.6	(26.5)	308.7	1,666.7	10,007.1
<b>Balance at 1 July 2019</b>		8,031.7	(7.1)	(3.3)	215.0	216.2	(23.3)	397.5	2,093.3	10,522.5
<b>Total comprehensive income/(loss) for the half year</b>										
Profit for the year		-	-	-	-	-	-	-	810.6	810.6
<b>Other comprehensive income/(loss)</b>										
Effect of foreign currency translation		-	0.1	-	(14.1)	-	(1.1)	(15.1)	-	(15.1)
Cash flow hedges:										
- Change in value of financial instruments		-	-	1.8	-	-	-	1.8	-	1.8
Total other comprehensive income/(loss) for the half year, net of income tax		-	0.1	1.8	(14.1)	-	(1.1)	(13.3)	-	(13.3)
<b>Total comprehensive income/(loss) for the half year, net of income tax</b>		-	0.1	1.8	(14.1)	-	(1.1)	(13.3)	810.6	797.3
Transfers		-	-	-	-	(55.3)	-	(55.3)	55.3	-
<b>Contributions by and distributions to owners</b>										
Dividends/distributions on stapled securities	11	-	-	-	-	-	-	-	(274.3)	(274.3)
Purchase of securities for the LTIP		-	-	-	-	(19.0)	-	(19.0)	-	(19.0)
Equity settled share based payments transactions		-	-	-	-	49.9	-	49.9	-	49.9
<b>Balance at 31 December 2019</b>		8,031.7	(7.0)	(1.5)	200.9	191.8	(24.4)	359.8	2,684.9	11,076.4

The consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to non-controlling interests, refer to note 13(b).

**Goodman Group**  
**Consolidated interim statement of changes in equity**  
**for the half year ended 31 December 2019**

Half year ended 31 December 2019

GIT	Note	Attributable to Unitholders							Total
		Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	Retained earnings	
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Balance at 1 July 2018</b>		<b>7,381.3</b>	<b>10.5</b>	<b>1.5</b>	<b>(158.2)</b>	<b>129.3</b>	<b>(16.9)</b>	<b>112.3</b>	<b>7,476.7</b>
<b>Total comprehensive income/(loss) for the half year</b>									
Profit for the half year		-	-	-	-	-	-	612.6	<b>612.6</b>
<b>Other comprehensive income/(loss)</b>									
Effect of foreign currency translation		-	0.3	0.1	69.0	-	69.4	-	<b>69.4</b>
Cash flow hedges:									
- Change in value of financial instruments		-	-	(2.1)	-	-	(2.1)	-	<b>(2.1)</b>
Increase due to revaluation of other financial assets		-	3.7	-	-	-	3.7	-	<b>3.7</b>
Total other comprehensive income/(loss) for the half year, net of income tax		-	4.0	(2.0)	69.0	-	71.0	-	<b>71.0</b>
<b>Total comprehensive income/(loss) for the half year</b>		<b>-</b>	<b>4.0</b>	<b>(2.0)</b>	<b>69.0</b>	<b>-</b>	<b>71.0</b>	<b>612.6</b>	<b>683.6</b>
<b>Contributions by and distributions to owners</b>									
Distributions on ordinary units	11	-	-	-	-	-	-	(272.1)	<b>(272.1)</b>
Issue of ordinary units under the LTIP	12	96.0	-	-	-	-	-	-	<b>96.0</b>
Equity settled share based payments transactions		-	-	-	-	(5.6)	(5.6)	-	<b>(5.6)</b>
<b>Balance at 31 December 2018</b>		<b>7,477.3</b>	<b>14.5</b>	<b>(0.5)</b>	<b>(89.2)</b>	<b>123.7</b>	<b>48.5</b>	<b>452.8</b>	<b>7,978.6</b>
<b>Balance at 1 July 2019</b>		<b>7,477.3</b>	<b>12.6</b>	<b>(3.3)</b>	<b>(71.1)</b>	<b>159.7</b>	<b>97.9</b>	<b>668.5</b>	<b>8,243.7</b>
<b>Total comprehensive income/(loss) for the half year</b>									
Profit for the half year		-	-	-	-	-	-	486.3	<b>486.3</b>
<b>Other comprehensive income/(loss)</b>									
Effect of foreign currency translation		-	(0.2)	-	(6.8)	-	(7.0)	-	<b>(7.0)</b>
Cash flow hedges:									
- Change in value of financial instruments		-	-	1.8	-	-	1.8	-	<b>1.8</b>
Decrease due to revaluation of other financial assets		-	(1.6)	-	-	-	(1.6)	-	<b>(1.6)</b>
Total other comprehensive income/(loss) for the year, net of income tax		-	(1.8)	1.8	(6.8)	-	(6.8)	-	<b>(6.8)</b>
<b>Total comprehensive income/(loss) for the half year</b>		<b>-</b>	<b>(1.8)</b>	<b>1.8</b>	<b>(6.8)</b>	<b>-</b>	<b>(6.8)</b>	<b>486.3</b>	<b>479.5</b>
<b>Contributions by and distributions to owners</b>									
Distributions on ordinary units	11	-	-	-	-	-	-	(274.3)	<b>(274.3)</b>
Issue of ordinary units for the LTIP	12	146.2	-	-	-	-	-	-	<b>146.2</b>
Equity settled share based payments transactions		-	-	-	-	(20.7)	(20.7)	-	<b>(20.7)</b>
<b>Balance at 31 December 2019</b>		<b>7,623.5</b>	<b>10.8</b>	<b>(1.5)</b>	<b>(77.9)</b>	<b>139.0</b>	<b>70.4</b>	<b>880.5</b>	<b>8,574.4</b>

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

**Goodman Group**  
**Consolidated interim cash flow statement**  
**for the half year ended 31 December 2019**

	Goodman		GIT	
	2019	2018	2019	2018
	\$M	\$M	\$M	\$M
<b>Cash flows from operating activities</b>				
Property income received	68.3	63.0	33.5	41.2
Cash receipts from development activities	639.2	671.1	-	-
Other cash receipts from services provided	248.4	131.7	-	-
Property expenses paid	(21.2)	(18.6)	(8.9)	(4.0)
Payments for development activities	(346.1)	(333.7)	(0.2)	(6.8)
Other cash payments in the course of operations	(224.0)	(195.4)	(21.1)	(1.6)
Distributions received from equity accounted investments	222.8	143.4	122.5	119.7
Interest received	9.8	26.0	8.6	24.7
Finance costs paid	(63.8)	(78.6)	(66.5)	(86.5)
Net income taxes paid	(38.0)	(10.0)	(0.9)	(1.0)
<b>Net cash provided by operating activities</b>	<b>495.4</b>	<b>398.9</b>	<b>67.0</b>	<b>85.7</b>
<b>Cash flows from investing activities</b>				
Net proceeds from disposal of investment properties	1.9	49.4	1.8	2.6
Net proceeds from disposal of equity investments	0.7	108.6	-	101.3
Payments for investment properties	(168.4)	(22.0)	(5.2)	(5.8)
Payments for equity investments	(149.3)	(327.8)	(51.4)	(254.1)
Payments for plant and equipment	(0.7)	(0.9)	-	-
<b>Net cash used in investing activities</b>	<b>(315.8)</b>	<b>(192.7)</b>	<b>(54.8)</b>	<b>(156.0)</b>
<b>Cash flows from financing activities</b>				
Net cash flows from loans to related parties	(5.2)	(47.3)	(293.2)	125.1
Payments on borrowings and derivative financial instruments	(119.0)	(279.5)	(4.1)	(253.7)
Dividends and distributions paid	(272.1)	(256.6)	(181.4)	(166.6)
Payments of lease liabilities	(8.9)	-	-	-
Purchase of securities for the LTIP	(19.0)	-	-	-
<b>Net cash used in financing activities</b>	<b>(424.2)</b>	<b>(583.4)</b>	<b>(478.7)</b>	<b>(295.2)</b>
Net decrease in cash held	(244.6)	(377.2)	(466.5)	(365.5)
Cash and cash equivalents at the beginning of the half year	1,607.1	2,406.8	1,214.4	2,129.7
Effect of exchange rate fluctuations on cash held	(1.6)	33.0	2.5	30.2
<b>Cash and cash equivalents at the end of the half year</b>	<b>1,360.9</b>	<b>2,062.6</b>	<b>750.4</b>	<b>1,794.4</b>

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

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Basis of preparation**

**1 Basis of preparation**

Goodman Limited and Goodman Industrial Trust are for profit entities domiciled in Australia. These interim condensed financial statements as at and for the six months ended 31 December 2019 comprise the results of Goodman Limited and the entities it controlled and the results of Goodman Industrial Trust and the entities it controlled.

**(a) Statement of compliance**

These interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial statements are presented in Australian dollars and were authorised for issue by the Directors on 13 February 2020.

The interim financial statements do not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of Goodman Group as at and for the year ended 30 June 2019.

**(b) Basis of preparation of the consolidated financial reports**

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

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.

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

**(c) Changes in accounting policies**

Except as disclosed below, the accounting policies applied in these interim financial statements are the same as those applied in the consolidated financial statements for the year ended 30 June 2019. Goodman and GIT have not applied any Australian Accounting Standards available for early adoption in the preparation of these financial statements.

**AASB 16 Leases**

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.

Goodman applied AASB 16 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. Comparative information has not been restated and continues to be reported under AASB 117.

Certain of GIT's Partnerships have leasehold investment properties that continue to be held at fair value. As a lessee, GIT does not directly hold any material leases and therefore the new standard will not have a material impact.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Basis of preparation (cont)**

**1 Basis of preparation (cont)**

**(c) Changes in accounting policies (cont)**

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

***Accounting policy applicable from 1 July 2019***

**(i) Definition**

AASB 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Goodman applied 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.

**(ii) Lessee accounting**

Goodman recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost plus any direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change arising from the reassessment of whether Goodman will be reasonably certain to exercise an extension or termination option. The new standard will result in the gross up of assets and liabilities where Goodman leases office buildings, motor vehicles, office equipment and development land classified as inventories.

The right of use assets in respect of office buildings, motor vehicles and office equipment are depreciated using the straight-line method over the period of the lease. Ground leases of development land that are classified as inventories are not depreciated, but are assessed at each reporting date for impairments to ensure they are recorded at the lower of cost and net realisable value.

**(iii) Leasehold investment property**

Under AASB 16, Goodman is required to account for all properties on leasehold land as investment properties when these properties are held for the purpose of leasing to produce rental income and/or for capital appreciation. The adoption of AASB 16 does not have a significant impact on the Group's financial statements as the Group has previously applied AASB 140 *Investment Property*, to account for all of its leasehold investment properties at fair value. These leasehold investment properties will continue to be carried at fair value.

**(iv) Lessor accounting**

The accounting policies applicable to Goodman as a lessor remain substantially unchanged from those under AASB 117.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Basis of preparation (cont)**

**1 Basis of preparation (cont)**

**(c) Changes in accounting policies (cont)**

**(v) Transitional impact**

The following table summarises the impact of the adoption of AASB 16 on Goodman's consolidated statement of financial position:

<b>Goodman</b>	<b>Impact of adopting AASB 16</b>		
	<b>At 30 Jun 2019</b>	<b>Adjustments</b>	<b>At 1 Jul 2019</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Current assets</b>			
Inventories	307.9	1.1	309.0
<b>Total current assets</b>	<b>2,474.0</b>	<b>1.1</b>	<b>2,475.1</b>
<b>Non-current assets</b>			
Inventories	761.1	14.8	775.9
Property, plant and equipment	16.3	56.0	72.3
<b>Total non-current assets</b>	<b>12,438.8</b>	<b>70.8</b>	<b>12,509.6</b>
<b>Current liabilities</b>			
Lease liabilities	-	17.1	17.1
<b>Total current liabilities</b>	<b>849.0</b>	<b>17.1</b>	<b>866.1</b>
<b>Non-current liabilities</b>			
Provisions	27.3	(3.4)	23.9
Lease liabilities	-	58.3	58.3
<b>Total non-current liabilities</b>	<b>3,541.3</b>	<b>54.8</b>	<b>3,596.1</b>
<b>Net assets</b>	<b>10,522.5</b>	<b>-</b>	<b>10,522.5</b>

**Inventories**

The adjustment to inventories arises from leasehold land held for development.

**Property, plant and equipment**

The right of use assets associated with the leases of office buildings, motor vehicles and office equipment are presented as property, plant and equipment.

**Lease liabilities**

The present value of future lease payments are presented as lease liabilities.

**Provisions**

Goodman has applied the practical expedient and adjusted the right of use assets at the date of initial application by the amount provided for onerous leases.

**(vi) Impact on results for the period**

After the initial recognition of right of use assets and lease liabilities at 1 July 2019, Goodman, as a lessee, is required to recognise interest expense on the outstanding balance of the lease liability, and the depreciation of the right of use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on the consolidated interim income statement in the current period as a result of this change in policy is not significant compared to the results if AASB 117 had continued to apply.

In the consolidated interim cash flow statements, Goodman, as a lessee, has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. Under AASB 117, the entire lease payment was classified within operating activities. However, the change does not have a significant impact on the presentation of cash flows.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Basis of preparation (cont)**

**1 Basis of preparation (cont)**

**(d) Accounting standards issued but not yet effective**

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of the new accounting standards or interpretations is expected to have a significant impact on the results of the Group.

**(e) Critical accounting estimates used in the preparation of the financial statements**

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by Goodman. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year can be found in the following notes:

- + Note 6 – Property assets; and
- + Note 10 – Financial instruments.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**Measurement of fair values**

A number of Goodman's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, Goodman uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- + Note 6 – Property assets; and
- + Note 10 – Financial instruments.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Results for the half year**

**2 Profit before income tax**

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

	<b>Goodman</b>		<b>GIT</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Gross property income</b>				
Rental income	53.6	46.1	27.4	30.9
Recovery of property outgoings	9.8	9.9	6.9	7.8
<b>Gross property income</b>	<b>63.4</b>	<b>56.0</b>	<b>34.3</b>	<b>38.7</b>
<b>Management activities</b>				
Management services	154.0	134.3	-	-
Performance related income	65.0	55.1	-	-
<b>Management income</b>	<b>219.0</b>	<b>189.4</b>	<b>-</b>	<b>-</b>
<b>Development activities</b>				
Income from disposal of inventories	321.3	363.3	0.3	-
Income from fixed price development contracts	47.7	317.8	-	-
Other development income, including development management	120.1	71.9	-	-
Net gain on disposal of special purpose development entities	18.1	4.8	-	-
<b>Development income</b>	<b>507.2</b>	<b>757.8</b>	<b>0.3</b>	<b>-</b>
Inventory cost of sales	(233.1)	(229.2)	-	-
Costs incurred on fixed price development contracts	(44.7)	(291.4)	-	-
<b>Development expenses</b>	<b>(277.8)</b>	<b>(520.6)</b>	<b>-</b>	<b>-</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Results for the half year (cont)**

**3 Profit per security/Company share**

Basic profit per security of the Group is calculated by dividing the profit attributable to the Securityholders by the weighted average number of securities outstanding during the half year. Diluted profit per security is determined by adjusting the profit attributable to the Securityholders and weighted average number of securities outstanding for dilutive potential securities arising from vesting of performance rights issued under the LTIP.

**(a) Goodman**

	<b>2019</b>	<b>2018</b>
	¢	¢
<b>Profit per security</b>		
Basic profit per security	44.4	51.3
Diluted profit per security	43.2	50.1

Profit after tax of \$810.6 million (2018: \$929.2 million) was used in calculating basic and diluted profit per security.

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

	<b>2019</b>	<b>2018</b>
	<b>Number of securities</b>	
Weighted average number of securities used in calculating basic profit per security/share	1,823,674,788	1,809,533,054
Effect of performance rights on issue	53,705,801	46,865,194
<b>Weighted average number of securities used in calculating diluted profit per security/share</b>	<b>1,877,380,589</b>	<b>1,856,398,248</b>

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

**(b) Goodman Limited**

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

	<b>2019</b>	<b>2018</b>
	¢	¢
<b>Profit per Goodman Limited share</b>		
Basic profit per Goodman Limited share	8.3	4.5
Diluted profit per Goodman Limited share	8.0	4.4

The profit after tax used in calculating the basic and diluted profit per Goodman Limited share was \$151.0 million (2018: \$81.9 million).

**4 Segment reporting**

Operating segment information is reported on a geographic basis and Goodman has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia (Greater China and Japan), Continental Europe (primarily Germany 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.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Results for the half year (cont)**

**4 Segment reporting (cont)**

**Information about reportable segments**

Goodman	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Income statement</b>												
<b>External revenues</b>												
Gross property income	53.5	50.7	0.9	0.8	4.3	3.1	4.4	1.3	0.3	0.1	63.4	56.0
Management income	90.8	57.5	60.3	39.2	59.5	87.1	1.2	1.0	7.2	4.6	219.0	189.4
Development income	70.3	215.8	48.0	28.0	353.5	454.0	6.3	36.3	29.1	23.7	507.2	757.8
Distributions from investments	-	-	-	-	1.2	-	-	-	-	-	1.2	-
<b>Total external revenues</b>	<b>214.6</b>	<b>324.0</b>	<b>109.2</b>	<b>68.0</b>	<b>418.5</b>	<b>544.2</b>	<b>11.9</b>	<b>38.6</b>	<b>36.6</b>	<b>28.4</b>	<b>790.8</b>	<b>1,003.2</b>
<b>Analysis of external revenues</b>												
<b>Revenue from contracts with customers</b>												
Assets and services transferred at a point in time	7.5	120.4	24.6	13.0	347.4	223.1	3.9	35.3	-	0.6	383.4	392.4
Assets and services transferred over time	162.5	161.7	83.8	54.2	66.5	319.0	3.7	2.0	36.4	27.7	352.9	564.6
<b>Other revenue</b>												
Rental income (excludes outgoing recoveries)	44.6	41.9	0.8	0.8	3.4	2.1	4.3	1.3	0.2	0.1	53.3	46.2
Distributions from investments	-	-	-	-	1.2	-	-	-	-	-	1.2	-
<b>Total external revenues</b>	<b>214.6</b>	<b>324.0</b>	<b>109.2</b>	<b>68.0</b>	<b>418.5</b>	<b>544.2</b>	<b>11.9</b>	<b>38.6</b>	<b>36.6</b>	<b>28.4</b>	<b>790.8</b>	<b>1,003.2</b>
<b>Reportable segment profit/(loss) before tax</b>	<b>244.8</b>	<b>247.1</b>	<b>151.0</b>	<b>69.1</b>	<b>196.5</b>	<b>214.3</b>	<b>0.6</b>	<b>(1.1)</b>	<b>55.6</b>	<b>29.3</b>	<b>648.5</b>	<b>558.7</b>
Share of net results of equity accounted investments	249.7	342.1	198.6	154.9	47.6	46.6	8.0	15.8	60.8	112.8	564.7	672.2
<b>Material non-cash items not included in reportable segment profit before tax</b>												
Net gain from fair value adjustments on investment properties	25.8	100.8	-	-	-	-	0.4	-	-	-	26.2	100.8
	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Statement of financial position</b>												
<b>Reportable segment assets</b>	<b>5,760.9</b>	<b>5,357.1</b>	<b>3,067.5</b>	<b>2,870.8</b>	<b>2,213.6</b>	<b>2,221.5</b>	<b>938.7</b>	<b>763.5</b>	<b>2,431.5</b>	<b>2,277.4</b>	<b>14,412.2</b>	<b>13,490.3</b>
Non-current assets	5,454.7	5,099.5	2,645.7	2,470.1	1,835.9	1,838.7	607.7	675.5	1,993.8	1,950.1	12,537.8	12,033.9
<b>Included in reportable segment assets are:</b>												
Investment properties	1,958.4	1,866.2	-	-	-	-	35.7	30.9	-	-	1,994.1	1,897.1
Investments accounted for using the equity method	3,395.4	3,158.5	2,437.6	2,290.8	877.0	861.9	218.5	200.3	1,982.6	1,940.9	8,911.1	8,452.4
<b>Reportable segment liabilities</b>	<b>173.1</b>	<b>164.9</b>	<b>192.4</b>	<b>164.9</b>	<b>110.4</b>	<b>75.5</b>	<b>92.8</b>	<b>86.6</b>	<b>110.8</b>	<b>90.9</b>	<b>679.5</b>	<b>582.8</b>



**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Results for the half year (cont)**

**4 Segment reporting (cont)**

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

	Note	Goodman		GIT	
		2019 \$M	2018 \$M	2019 \$M	2018 \$M
<b>Revenues</b>					
Total revenue for reportable segments		790.8	1,003.2	39.2	38.7
Total revenue for other segments		-	-	0.3	-
<b>Consolidated revenues</b>		<b>790.8</b>	<b>1,003.2</b>	<b>39.5</b>	<b>38.7</b>
<b>Profit or loss</b>					
<b>Total profit before tax for reportable segments<sup>1</sup></b>					
Property investment earnings		213.3	181.8		
Management earnings		219.0	189.4		
Development earnings		300.1	273.3		
Operating expenses allocated to reportable segments		(83.9)	(85.8)		
<b>Reportable segment profit before tax</b>		<b>648.5</b>	<b>558.7</b>	<b>187.1</b>	<b>147.8</b>
Profit before tax for other segments		-	-	0.3	-
Corporate expenses not allocated to reportable segments		(55.8)	(46.3)	(26.2)	(24.5)
		<b>592.7</b>	<b>512.4</b>	<b>161.2</b>	<b>123.3</b>
Valuation and other items not included in reportable segment profit before tax:					
- Net gain from fair value adjustments on investment properties	6(e)	26.2	100.8	26.0	95.9
- Share of fair value adjustments attributable to investment properties in Partnerships <sup>2</sup>	6(f)	350.5	510.9	289.7	413.7
- Share of fair value adjustments on derivative financial instruments in Partnerships	6(f)	(2.6)	6.6	(3.0)	7.4
- Share based payments expense		(87.7)	(77.1)	-	-
- Straight lining of rental income and tax deferred adjustments		(11.0)	(5.7)	(7.1)	(0.1)
<b>Profit before interest and tax</b>		<b>868.1</b>	<b>1,047.9</b>	<b>466.8</b>	<b>640.2</b>
Net finance (expense)/income	8	(12.1)	(76.6)	20.5	(14.3)
<b>Consolidated profit before income tax</b>		<b>856.0</b>	<b>971.3</b>	<b>487.3</b>	<b>625.9</b>
		<b>31 Dec 2019</b>	<b>30 Jun 2019</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
		<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Assets</b>					
Assets for reportable segments		14,412.2	13,490.3	8,209.4	7,807.9
Cash		523.0	1,013.4	513.6	1,013.3
Other unallocated amounts <sup>3</sup>		440.6	409.1	4,152.5	3,632.7
<b>Consolidated total assets</b>		<b>15,375.8</b>	<b>14,912.8</b>	<b>12,875.5</b>	<b>12,453.9</b>
<b>Liabilities</b>					
Liabilities for reportable segments		679.5	582.8	203.2	201.9
Interest bearing liabilities		2,839.2	2,975.0	2,840.4	2,864.3
Provisions for dividends/distributions to Securityholders	11	274.3	272.1	274.3	181.4
Other unallocated amounts <sup>3</sup>		506.4	560.4	983.2	962.6
<b>Consolidated total liabilities</b>		<b>4,299.4</b>	<b>4,390.3</b>	<b>4,301.1</b>	<b>4,210.2</b>

1. The allocation of GIT's results to the property investment, management and development segments is not reported to the Group Chief Executive Officer.
2. Net of \$14.4 million (2018: \$nil) included in development earnings.
3. Other unallocated amounts in Goodman and GIT included other financial assets and liabilities, deferred tax assets, tax payables and provisions which did not relate to the reportable segments. Additionally, other unallocated assets and liabilities in GIT included loans due from/to controlled entities of Goodman.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets**

**5 Receivables**

	Goodman		GIT	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	\$M	\$M	\$M	\$M
<b>Current</b>				
Trade receivables	15.0	11.0	-	-
Tax receivables	9.9	7.6	1.1	-
Other receivables	129.0	111.6	8.9	13.8
Amounts due from related parties	106.2	119.4	43.3	3.0
Loans to related parties	-	-	1,967.8	1,825.0
	<b>260.1</b>	<b>249.6</b>	<b>2,021.1</b>	<b>1,841.8</b>
<b>Non-current</b>				
Other receivables	8.0	8.4	-	-
Loans to related parties	121.5	116.3	1,790.2	1,431.3
	<b>129.5</b>	<b>124.7</b>	<b>1,790.2</b>	<b>1,431.3</b>

**6 Property assets**

**(a) Types of property assets**

Goodman's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in Partnerships.

**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 12 months of the end of the reporting period, in which case they are classified as current assets.

**Investment properties**

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

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

	Goodman		GIT	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Note	\$M	\$M	\$M
<b>Inventories<sup>1</sup></b>				
Current		476.3	307.9	-
Non-current		670.9	761.1	6.7
		<b>1,147.2</b>	<b>1,069.0</b>	<b>6.7</b>
<b>Asset held for sale</b>				
Investment property	6(d)	97.5	-	-
<b>Investment properties</b>				
Stabilised investment properties		1,830.5	1,756.4	1,177.2
Investment properties under development		163.6	140.7	10.1
	6(e)	<b>1,994.1</b>	<b>1,897.1</b>	<b>1,187.3</b>
<b>Investments accounted for using the equity method</b>				
Associates	6(f)(i)	5,243.2	4,856.0	4,411.8
JVs	6(f)(ii)	3,667.9	3,596.4	2,332.9
		<b>8,911.1</b>	<b>8,452.4</b>	<b>6,744.7</b>
<b>Total property assets</b>		<b>12,149.9</b>	<b>11,418.5</b>	<b>7,938.7</b>
				<b>7,566.1</b>

1. Inventories at 31 December 2019 include \$34.2 million of developments on leasehold land recognised as right of use assets under the new lease accounting standard.

**(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.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

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

**Stabilised investment properties (cont)**

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 31 December 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	Total portfolio weighted average capitalisation rate			
	Goodman		GIT	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	%	%	%	%
Australia and New Zealand	5.2	5.4	5.2	5.3
Asia	4.7	4.8	4.2	4.3
Continental Europe	5.0	5.1	5.1	5.2
United Kingdom	4.8	4.8	-	-
Americas	4.5	4.6	4.5	4.6

**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.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

**(d) Asset held for sale**

The asset held for sale relates to a stabilised property in the United Kingdom that has been acquired with the intention of transferring it to a Partnership.

**(e) Investment properties**

**Reconciliation of carrying amount of directly held investment properties**

	<b>Goodman</b>		<b>GIT</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Carrying amount at the beginning of the half year	1,897.1	1,774.6	1,158.6	1,222.4
Capital expenditure	70.2	21.0	3.7	5.2
Carrying value of properties disposed	(1.0)	(30.8)	(1.0)	-
Transfers to inventories	-	(54.5)	-	-
Net gain from fair value adjustments	26.2	100.8	26.0	95.9
Effect of foreign currency translation	1.6	0.7	-	0.1
<b>Carrying amount at the end of the half year</b>	<b>1,994.1</b>	<b>1,811.8</b>	<b>1,187.3</b>	<b>1,323.6</b>
<b>Analysed by segment:</b>				
Australia and New Zealand	1,958.4	1,780.9	1,187.3	1,323.6
United Kingdom	35.7	30.9	-	-
	<b>1,994.1</b>	<b>1,811.8</b>	<b>1,187.3</b>	<b>1,323.6</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

**(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.

**(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	2018	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019	2019	2018	2019	2019	2019	2019
		\$M	\$M	%	%	\$M	\$M	\$M	\$M	%	%	\$M	\$M
<b>Property investment</b>													
Goodman Australia Industrial Partnership (GAIP)	Australia	126.2	226.8	28.5	28.4	1,654.2	1,543.4	126.2	226.6	28.5	28.4	1,654.2	1,543.4
Goodman Australia Partnership (GAP)	Australia	62.0	81.8	19.9	19.9	806.0	759.9	62.0	81.8	19.9	19.9	806.0	759.9
Goodman Property Trust (GMT)	New Zealand	44.3	18.5	21.4	21.6	501.6	433.3	-	-	-	-	-	-
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	126.5	77.7	20.2	20.1	1,229.6	1,103.0	126.5	77.7	20.2	20.1	1,229.6	1,103.0
Goodman Japan Core Partnership (GJCP) <sup>1</sup>	Japan	16.5	8.8	15.9	16.5	329.8	302.3	-	-	-	-	-	-
Goodman European Partnership (GEP)	Luxembourg	38.8	26.9	20.4	20.4	722.0	714.1	38.8	26.9	20.4	20.4	722.0	714.1
		<b>414.3</b>	<b>440.5</b>			<b>5,243.2</b>	<b>4,856.0</b>	<b>353.5</b>	<b>413.0</b>			<b>4,411.8</b>	<b>4,120.4</b>

1. Goodman's ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

**(f) Investments accounted for using the equity method (cont)**

**(i) Investments in associates (cont)**

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

	<b>Goodman</b>		<b>GIT</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Movement in carrying amount of investments in associates</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Carrying amount at the beginning of the half year	4,856.0	4,162.4	4,120.4	3,569.8
Share of net results after tax (before fair value adjustments)	106.7	112.3	90.2	88.9
Share of fair value adjustments attributable to investment properties after tax	310.3	321.6	266.4	316.7
Share of fair value adjustments on derivative financial instruments	(2.7)	6.6	(3.1)	7.4
Share of net results	414.3	440.5	353.5	413.0
Share of movements in reserves	1.9	(2.0)	1.9	(2.0)
Acquisitions	86.6	4.9	33.5	-
Distributions received and receivable	(103.1)	(115.0)	(85.9)	(99.3)
Effect of foreign currency translation	(12.5)	97.6	(11.6)	68.3
<b>Carrying amount at the end of the half year</b>	<b>5,243.2</b>	<b>4,588.4</b>	<b>4,411.8</b>	<b>3,949.8</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

**(f) Investments accounted for using the equity method (cont)**

**(ii) Investments in JVs**

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

Name of JV	Country of establishment/ incorporation	Goodman						GIT					
		Share of net results		Ownership interest		Investment carrying amount		Share of net results		Ownership interest		Investment carrying amount	
		2019	2018	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019	2019	2018	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
		\$M	\$M	%	%	\$M	\$M	\$M	\$M	%	%	\$M	\$M
<b>Property investment</b>													
KWASA Goodman Industrial Partnership (KGIP)	Australia	4.7	4.4	40.0	40.0	177.7	176.3	4.7	4.4	40.0	40.0	177.7	176.3
KWASA Goodman Germany (KGG) <sup>1</sup>	Luxembourg	6.9	18.4	18.4	19.3	142.7	140.8	-	-	-	-	-	-
<b>Property development</b>													
Goodman Japan Development Partnership (GJDP)	Japan	39.3	0.8	50.0	50.0	165.5	192.0	-	-	-	-	-	-
<b>Property investment and development</b>													
Goodman China Logistics Partnership (GCLP)	Cayman Islands	18.8	67.8	20.0	20.0	712.0	690.3	-	-	-	-	-	-
Goodman UK Partnership (GUKP)	United Kingdom	8.0	15.0	33.3	33.3	214.3	196.3	-	-	-	-	-	-
Goodman North America Partnership (GNAP)	United States of America	58.8	111.7	55.0	55.0	1,961.6	1,923.9	56.5	107.6	53.0	53.0	1,890.4	1,854.0
Other JVs		13.9	13.6			294.1	276.8	14.4	11.7			264.8	250.3
		150.4	231.7			3,667.9	3,596.4	75.6	123.7			2,332.9	2,280.6

1. The consolidated ownership interest in KGG reflected the weighted average ownership in the various property investment vehicles.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Operating assets (cont)**

**6 Property assets (cont)**

**(f) Investments accounted for using the equity method (cont)**

**(ii) Investments in JVs (cont)**

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

	Goodman		GIT	
	2019	2018	2019	2018
	\$M	\$M	\$M	\$M
<b>Movement in carrying amount of investments in JVs</b>				
Carrying amount at the beginning of the half year	3,596.4	2,423.1	2,280.6	1,452.1
Share of net results after tax (before fair value adjustments)	95.7	42.4	37.8	26.7
Share of fair value adjustments attributable to investment properties after tax	54.6	189.3	37.7	97.0
Share of fair value adjustments on derivative financial instruments	0.1	-	0.1	-
Share of net results	150.4	231.7	75.6	123.7
Share of movements in reserves	(13.5)	(45.4)	-	-
Acquisitions	284.1	299.1	231.3	248.0
Distributions/dividends received and receivable	(346.9)	(28.9)	(248.4)	(20.4)
Effect of foreign currency translation	(2.6)	104.7	(6.2)	59.7
<b>Carrying amount at the end of the half year</b>	<b>3,667.9</b>	<b>2,984.3</b>	<b>2,332.9</b>	<b>1,863.1</b>

**7 Intangible assets**

	Goodman	
	31 Dec 2019	30 Jun 2019
	\$M	\$M
Goodwill	726.3	730.8
Management rights	108.7	109.2
	<b>835.0</b>	<b>840.0</b>
<b>Analysed:</b>		
Continental Europe	642.7	651.3
United Kingdom	92.8	89.0
Other	99.5	99.7
	<b>835.0</b>	<b>840.0</b>

The present values of the intangible assets for each division were calculated as at 30 June 2019 and the results for the significant balances are disclosed in the 2019 annual report of Goodman Group.

At 31 December 2019, management has assessed that there have been no changes in factors or circumstances that would significantly impact the cash flows and discount rates used at 30 June 2019 and accordingly there have been no impairments or reversals of impairments during the half year.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Capital management**

**8 Net finance income/(expense)**

	Goodman		GIT	
	2019	2018	2019	2018
	\$M	\$M	\$M	\$M
<b>Finance income</b>				
Interest income from:				
- Related parties	0.4	0.2	79.9	37.9
- Other parties	7.7	21.0	6.6	19.5
Fair value adjustments on derivative financial instruments	17.8	-	-	-
Foreign exchange gains <sup>1</sup>	-	-	35.7	11.7
	<b>25.9</b>	<b>21.2</b>	<b>122.2</b>	<b>69.1</b>
<b>Finance expense</b>				
Interest expense from third party loans, overdrafts and derivatives	(40.5)	(47.0)	(47.4)	(45.1)
Interest expense from related party loans	-	-	(4.9)	(7.9)
Other borrowing costs	(3.6)	(3.3)	(13.9)	(1.8)
Fair value adjustments on derivative financial instruments	-	(45.1)	(35.5)	(28.6)
Foreign exchange losses <sup>1</sup>	(0.2)	(11.4)	-	-
Capitalised borrowing costs	6.3	9.0	-	-
	<b>(38.0)</b>	<b>(97.8)</b>	<b>(101.7)</b>	<b>(83.4)</b>
<b>Net finance (expense)/income</b>	<b>(12.1)</b>	<b>(76.6)</b>	<b>20.5</b>	<b>(14.3)</b>

1. The foreign exchange gains/losses in Goodman and GIT included \$nil (2018: losses of \$11.2 million) relating to unrealised gains/losses on translation of interest bearing liabilities which do not qualify for net investment hedging.

**9 Interest bearing liabilities**

		Goodman		GIT	
		31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Note	\$M	\$M	\$M	\$M
<b>Non-current</b>					
<b>Unsecured:</b>					
- Bank loans	9(a)	-	112.4	-	-
- USD denominated notes	9(b)	1,892.1	1,904.9	1,892.1	1,904.9
- EUR denominated notes	9(c)	799.2	810.0	799.2	810.0
- Foreign private placement	9(d)	163.9	165.3	163.9	165.3
Borrowing costs		(16.0)	(17.6)	(14.8)	(15.9)
		<b>2,839.2</b>	<b>2,975.0</b>	<b>2,840.4</b>	<b>2,864.3</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Capital management (cont)**

**9 Interest bearing liabilities (cont)**

**(a) Bank loans, unsecured**

Facility maturity date	Goodman		GIT	
	Facility limit	Amounts drawn	Facility limit	Amounts drawn
	\$M	\$M	\$M	\$M
30 Sep 2022	104.9	-	-	-
30 Sep 2022	196.6	-	-	-
30 Sep 2022	196.6	-	-	-
31 Mar 2023	75.0	-	75.0	-
1 Jul 2023	50.0	-	50.0	-
31 Dec 2023	50.0	-	50.0	-
30 Jun 2024	75.0	-	75.0	-
31 Jul 2024	142.4	-	142.4	-
30 Sep 2024	53.4	-	53.4	-
30 Sep 2024	37.5	-	37.5	-
31 Dec 2024	119.9	-	119.9	-
<b>31 Dec 2019</b>	<b>1,101.3</b>	-	<b>603.2</b>	-
30 Jun 2019	1,198.0	112.4	695.6	-

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

**(b) USD denominated notes**

As at 31 December 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)
	A\$M	US\$M	A\$M	US\$M	per annum
	15 Apr 2021	259.1	182.0	248.5	174.5
22 Mar 2022	422.9	297.0	397.6	279.3	6.000%
15 Mar 2028	747.4	525.0	747.4	525.0	3.700%
15 Oct 2037	462.7	325.0	462.7	325.0	4.500%
<b>31 Dec 2019</b>	<b>1,892.1</b>	<b>1,329.0</b>	<b>1,856.2</b>	<b>1,303.8</b>	
30 Jun 2019	1,904.9	1,335.5	1,859.6	1,303.8	

**(c) EUR denominated notes**

As at 31 December 2019, Goodman and GIT had A\$799.2 million (30 June 2019: A\$810.0 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.

**(d) Foreign private placement**

As at 31 December 2019, Goodman and GIT had A\$163.9 million (30 June 2019: A\$165.3 million)(¥12.5 billion) in a foreign private placement denominated in Japanese yen. The facility has a fixed coupon of 3.32% per annum payable semi-annually and expires on 3 April 2023.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Capital management (cont)**

**9 Interest bearing liabilities (cont)**

**(e) Finance facilities**

	Goodman		GIT	
	Facilities available \$M	Facilities utilised \$M	Facilities available \$M	Facilities utilised \$M
<b>31 December 2019</b>				
<b>Unsecured:</b>				
- Bank loans	1,101.3	-	603.2	-
- USD denominated notes <sup>1</sup>	1,856.2	1,856.2	1,856.2	1,856.2
- EUR denominated notes	799.2	799.2	799.2	799.2
- Foreign private placement	163.9	163.9	163.9	163.9
- Bank guarantees <sup>2</sup>	-	17.0	-	-
	<b>3,920.6</b>	<b>2,836.3</b>	<b>3,422.5</b>	<b>2,819.3</b>
<b>30 June 2019</b>				
<b>Unsecured:</b>				
- Bank loans	1,198.0	112.4	695.6	-
- USD denominated notes <sup>1</sup>	1,859.6	1,859.6	1,859.6	1,859.6
- EUR denominated	810.0	810.0	810.0	810.0
- Foreign private placement	165.3	165.3	165.3	165.3
- Bank guarantees <sup>2</sup>	-	22.5	-	-
	<b>4,032.9</b>	<b>2,969.8</b>	<b>3,530.5</b>	<b>2,834.9</b>

1. Facilities available and facilities utilised in respect of the United States senior notes represent the face value of the notes on issue.
2. Bank guarantees are drawn from facilities available under unsecured bank loans.

**Goodman Group**  
**Notes to the interim financial statements**  
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**Capital management (cont)**

**10 Financial instruments**

**Fair values of financial instruments**

The carrying amounts shown in the consolidated interim statement of financial position and fair values of financial assets and liabilities are as follows:

	Goodman				GIT			
	Carrying amount	Fair value						
	31 Dec 2019	31 Dec 2019	30 Jun 2019	30 Jun 2019	31 Dec 2019	31 Dec 2019	30 Jun 2019	30 Jun 2019
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Financial assets</b>								
Cash and cash equivalents	1,360.9	1,360.9	1,607.1	1,607.1	750.4	750.4	1,214.4	1,214.4
Receivables	389.6	389.6	374.3	374.3	3,811.3	3,811.3	3,273.1	3,273.1
Other financial assets:								
- Interest rate derivatives (IRD)	111.9	111.9	38.3	38.3	102.5	102.5	102.2	102.2
- Cross currency interest rate swaps (CCIRS) <sup>1</sup>	178.0	178.0	259.3	259.3	168.8	168.8	176.3	176.3
- Foreign exchange contracts (FEC)	71.4	71.4	41.4	41.4	80.6	80.6	96.7	96.7
- Investments in unlisted securities	2.9	2.9	2.7	2.7	23.2	23.2	25.1	25.1
	<b>2,114.7</b>	<b>2,114.7</b>	<b>2,323.1</b>	<b>2,323.1</b>	<b>4,936.8</b>	<b>4,936.8</b>	<b>4,887.8</b>	<b>4,887.8</b>
<b>Financial liabilities</b>								
Payables	580.4	580.4	622.8	622.8	863.9	863.9	859.9	859.9
Interest bearing liabilities <sup>2</sup>	2,839.2	2,942.8	2,975.0	3,048.0	2,840.4	2,942.8	2,864.3	2,935.7
Other financial liabilities:								
- IRD	9.6	9.6	3.6	3.6	9.6	9.6	18.4	18.4
- CCIRS <sup>3</sup>	201.3	201.3	212.8	212.8	201.3	201.3	187.8	187.8
- FEC	40.0	40.0	32.1	32.1	40.0	40.0	35.6	35.6
	<b>3,670.5</b>	<b>3,774.1</b>	<b>3,846.3</b>	<b>3,919.3</b>	<b>3,955.2</b>	<b>4,057.6</b>	<b>3,966.0</b>	<b>4,037.4</b>

1. Includes fair values of derivative financial instruments equating to \$228.9 million (30 June 2019: \$222.4 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

2. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 31 December 2019.

3. Includes fair values of derivative financial instruments equating to \$130.5 million (30 June 2019: \$123.6 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Capital management (cont)**

**10 Financial instruments (cont)**

**Fair value hierarchy**

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

	Goodman				GIT			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
<b>As at 31 December 2019</b>								
Investment in unlisted securities	-	-	2.9	2.9	-	-	23.2	23.2
Derivative financial assets	-	361.3	-	361.3	-	351.9	-	351.9
	-	<b>361.3</b>	<b>2.9</b>	<b>364.2</b>	-	<b>351.9</b>	<b>23.2</b>	<b>375.1</b>
Derivative financial liabilities	-	250.9	-	250.9	-	250.9	-	250.9
	-	<b>250.9</b>	-	<b>250.9</b>	-	<b>250.9</b>	-	<b>250.9</b>
<b>As at 30 June 2019</b>								
Investment in unlisted securities	-	-	2.7	2.7	-	-	25.1	25.1
Derivative financial assets	-	339.0	-	339.0	-	375.2	-	375.2
	-	<b>339.0</b>	<b>2.7</b>	<b>341.7</b>	-	<b>375.2</b>	<b>25.1</b>	<b>400.3</b>
Derivative financial liabilities	-	248.5	-	248.5	-	241.8	-	241.8
	-	<b>248.5</b>	-	<b>248.5</b>	-	<b>241.8</b>	-	<b>241.8</b>

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

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Capital management (cont)**

**11 Dividends and distributions**

Dividends and distributions are recognised when they are declared and before deduction of any withholding tax. Any non-recoverable withholding tax is included in income tax. Details of distributions recognised during the half year were as follows:

**HY20 dividends/distributions**

	Dividends/ distributions cents per security	Total amount \$M	Date of payment
GL	-	-	n/a
GIT	15.00	274.3	25 Feb 2020
GLHK	-	-	n/a

**HY19 dividends/distributions**

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

**12 Issued capital**

	Goodman		GIT	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Number of securities		\$M	\$M
Stapled securities - issued and fully paid	1,828,413,236	1,813,881,995	8,192.2	8,192.2
Less: Accumulated issue costs			(160.5)	(160.5)
<b>Total issued capital</b>			<b>8,031.7</b>	<b>8,031.7</b>
			<b>7,623.5</b>	<b>7,477.3</b>

**Terms and conditions**

Stapled security means one share in the Company stapled to one unit in GIT and one CDI over an ordinary share of GLHK. Holders of stapled securities are entitled to receive dividends or distributions as declared from time to time and are entitled to one vote per security at Securityholders' meetings. In the event of a winding up, Securityholders rank after creditors and are fully entitled to any proceeds of liquidation.

Date	Details	Number of securities	Goodman \$M	GIT \$M
30 Jun 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
30 Jun 2019	Balance before accumulated issue costs	1,813,881,995	8,192.2	7,625.8
31 Aug 2019	Securities issued to employees under the LTIP	14,531,241	-	146.2
	Less: Accumulated issue costs		(160.5)	(148.5)
<b>31 Dec 2019</b>	<b>Closing balance</b>	<b>1,828,413,236</b>	<b>8,031.7</b>	<b>7,623.5</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Other items**

**13 Equity attributable to Goodman Limited and non-controlling interests**

Under Australian Accounting Standards, stapled entities are required to separately identify equity attributable to the parent entity from equity attributable to other entities stapled to the parent. The equity attributable to other entities stapled to the parent are presented as non-controlling interests in the statement of financial position of the Group. The tables below in notes 13(a) and 13(b) provide an analysis of equity, profit for the half year and total comprehensive income for the half 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	Foreign currency translation reserve	Employee compensation reserve	Defined benefit funds actuarial losses reserve	Total reserves	Retained earnings	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Balance at 1 July 2018</b>	<b>483.2</b>	<b>(50.8)</b>	<b>20.9</b>	<b>(26.1)</b>	<b>(56.0)</b>	<b>155.3</b>	<b>582.5</b>
<b>Total comprehensive income/(loss) for the half year</b>							
Profit for the half year	-	-	-	-	-	81.9	81.9
<b>Other comprehensive income/(loss)</b>							
Effect of foreign currency translation	-	29.6	-	(0.4)	29.2	-	29.2
<b>Total comprehensive income/(loss) for the half year, net of income tax</b>	<b>-</b>	<b>29.6</b>	<b>-</b>	<b>(0.4)</b>	<b>29.2</b>	<b>81.9</b>	<b>111.1</b>
Transfers	-	-	(52.6)	-	(52.6)	52.6	-
<b>Contributions by and distributions to owners</b>							
Equity settled share based payments transactions	-	-	53.3	-	53.3	-	53.3
<b>Balance at 31 December 2018</b>	<b>483.2</b>	<b>(21.2)</b>	<b>21.6</b>	<b>(26.5)</b>	<b>(26.1)</b>	<b>289.8</b>	<b>746.9</b>
<b>Balance at 1 July 2019</b>	<b>483.2</b>	<b>(2.7)</b>	<b>28.3</b>	<b>(23.3)</b>	<b>2.3</b>	<b>450.7</b>	<b>936.2</b>
<b>Total comprehensive income/(loss) for the half year</b>							
Profit for the half year	-	-	-	-	-	151.0	151.0
<b>Other comprehensive income/(loss)</b>							
Effect of foreign currency translation	-	(21.7)	-	(1.1)	(22.8)	-	(22.8)
<b>Total comprehensive income/(loss) for the half year, net of income tax</b>	<b>-</b>	<b>(21.7)</b>	<b>-</b>	<b>(1.1)</b>	<b>(22.8)</b>	<b>151.0</b>	<b>128.2</b>
Transfers	-	-	(55.3)	-	(55.3)	55.3	-
<b>Contributions by and distributions to owners</b>							
Purchase of securities for the LTIP	-	-	(19.0)	-	(19.0)	-	(19.0)
Equity settled share based payments transactions	-	-	63.4	-	63.4	-	63.4
<b>Balance at 31 December 2019</b>	<b>483.2</b>	<b>(24.4)</b>	<b>17.4</b>	<b>(24.4)</b>	<b>(31.4)</b>	<b>657.0</b>	<b>1,108.8</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Other items (cont)**

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

**(b) Equity attributable to other entities stapled to Goodman Limited (non-controlling interests)**

	Attributable to other entities stapled to Goodman Limited (non-controlling interests)							
	Issued capital	Asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Employee compensation reserve	Total reserves	Retained earnings	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Balance at 1 July 2018</b>	<b>7,548.5</b>	<b>(6.9)</b>	<b>1.5</b>	<b>96.1</b>	<b>150.3</b>	<b>241.0</b>	<b>801.7</b>	<b>8,591.2</b>
<b>Total comprehensive income/(loss) for the half year</b>								
Profit for the half year	-	-	-	-	-	-	847.3	847.3
<b>Other comprehensive income /(loss)</b>								
Effect of foreign currency translation	-	(0.2)	0.1	101.3	-	101.2	-	101.2
Other changes	-	-	(2.1)	-	-	(2.1)	-	(2.1)
<b>Total comprehensive income/(loss) for the half year, net of income tax</b>	<b>-</b>	<b>(0.2)</b>	<b>(2.0)</b>	<b>101.3</b>	<b>-</b>	<b>99.1</b>	<b>847.3</b>	<b>946.4</b>
<b>Contributions by and distributions to owners</b>								
Distributions on ordinary units	-	-	-	-	-	-	(272.1)	(272.1)
Equity settled share based payments transactions	-	-	-	-	(5.3)	(5.3)	-	(5.3)
<b>Balance at 31 December 2018</b>	<b>7,548.5</b>	<b>(7.1)</b>	<b>(0.5)</b>	<b>197.4</b>	<b>145.0</b>	<b>334.8</b>	<b>1,376.9</b>	<b>9,260.2</b>
<b>Balance at 1 July 2019</b>	<b>7,548.5</b>	<b>(7.1)</b>	<b>(3.3)</b>	<b>217.7</b>	<b>187.9</b>	<b>395.2</b>	<b>1,642.6</b>	<b>9,586.3</b>
<b>Total comprehensive income/(loss) for the half year</b>								
Profit for the half year	-	-	-	-	-	-	659.6	659.6
<b>Other comprehensive income /(loss)</b>								
Effect of foreign currency translation	-	0.1	-	7.6	-	7.7	-	7.7
Other changes	-	-	1.8	-	-	1.8	-	1.8
<b>Total comprehensive income/(loss) for the half year, net of income tax</b>	<b>-</b>	<b>0.1</b>	<b>1.8</b>	<b>7.6</b>	<b>-</b>	<b>9.5</b>	<b>659.6</b>	<b>669.1</b>
<b>Contributions by and distributions to owners</b>								
Distributions on ordinary units	-	-	-	-	-	-	(274.3)	(274.3)
Equity settled share based payments transactions	-	-	-	-	(13.5)	(13.5)	-	(13.5)
<b>Balance at 31 December 2019</b>	<b>7,548.5</b>	<b>(7.0)</b>	<b>(1.5)</b>	<b>225.3</b>	<b>174.4</b>	<b>391.2</b>	<b>2,027.9</b>	<b>9,967.6</b>

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Other items (cont)**

**14 Commitments**

**Development activities**

At 31 December 2019, Goodman was committed to expenditure in respect of \$291.8 million (30 June 2019: \$277.9 million) on inventories and other development activities. GIT had no such commitments (30 June 2019: \$nil).

**Investment properties**

At 31 December 2019, capital expenditure commitments on Goodman's investment property portfolio were \$47.1 million (30 June 2019: \$100.9 million). GIT had \$2.3 million of such commitments (30 June 2019: \$nil).

**Partnerships**

At 31 December 2019, the Group had an equity commitment of \$63.9 million (30 June 2019: \$64.8 million) into GEP. The commitment also applies to GIT.

In relation to GEP, Goodman offers limited liquidity facilities to investors, which allow the investors to sell to Goodman some or all of their investment in GEP. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to €25 million of the issued capital of GEP each half year subject to a cumulative maximum of €150 million. Furthermore, Goodman is only required to purchase units where its co-investment in GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest in GEP is below the prescribed limit and the liquidity facility is 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:

- + \$100.7 million (30 June 2019: \$99.7 million) into GHKLP;
- + \$23.8 million (30 June 2019: \$23.8 million) into KGIP;
- + \$148.1 million (30 June 2019: \$150.0 million) into KGG;
- + \$411.4 million (30 June 2019: \$361.0 million) into GJDP;
- + \$852.6 million (30 June 2019: \$872.7 million) into GCLP;
- + \$216.9 million (30 June 2019: \$209.1 million) into GUKP;
- + \$2,580.7 million (30 June 2019: \$855.6 million) into GNAP; and
- + \$115.0 million (30 June 2019: \$123.8 million) into Goodman Brazil Logistics Partnership (GBLP).

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

**Goodman Group**  
**Notes to the interim financial statements**  
**for the half year ended 31 December 2019**

**Other items (cont)**

**15 Related parties**

**Transactions with associates and JVs**

The transactions with Partnerships during the half year were as follows:

	<b>Goodman</b>					
	<b>Revenue from disposal of investment properties</b>		<b>Revenue from management and development activities</b>		<b>Interest charged on loans to associates and JVs</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Associates	861.6	-	470,621.2	546,164.4	-	16.6
JVs	-	-	122,759.0	115,157.0	365.4	157.4

**16 Events subsequent to balance date**

Other than as disclosed elsewhere in the interim financial statements, there has not arisen in the interval between the end of the half year and the date of this interim financial report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Goodman and GIT, the results of those operations, or the state of affairs of Goodman and GIT, in future financial years.

**Goodman Group  
Directors' declaration**

In the opinion of the directors of Goodman Limited and the directors of Goodman Funds Management Limited, the responsible entity for Goodman Industrial Trust:

- (a) the interim financial statements and the accompanying notes of Goodman Limited and its controlled entities and Goodman Industrial Trust and its controlled entities are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Goodman's and GIT's financial position as at 31 December 2019 and of their performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company and the Trust will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Ian Ferrier, AM**  
Independent Chairman

Sydney, 13 February 2020



**Gregory Goodman**  
Group Chief Executive Officer



# Independent Auditor's Review Report

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

## Conclusion

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

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

Based on our reviews, which are not audits, we have not become aware of any matter that makes us believe that each of the Goodman Group Interim Financial Report and the Trust Interim Financial Report are not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Goodman Group's** and of the **Trust's** financial positions as at 31 December 2019 and of their performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated interim statement of financial position as at 31 December 2019;
- Consolidated interim income statement; Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim cash flow statement for the half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and  
(collectively referred to as **Financial Statements**)
- The Directors' Declaration.

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



### Responsibilities of the Directors for the Interim Financial Report

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

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

### Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Goodman Group and the Trust's financial positions as at 31 December 2019 and their performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Goodman Group and Goodman Industrial Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Eileen Hoggett  
Partner

Sydney  
13 February 2020

**Goodman Logistics (HK) Limited**  
**ARBN 155 911 149**  
**and its subsidiaries**  
**Condensed interim financial report for the half year ended 31 December 2019**

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**Goodman Logistics (HK) Limited and its subsidiaries**  
**Report of the directors**  
**for the half year ended 31 December 2019**

The directors have pleasure in submitting their condensed interim financial report for Goodman Logistics (HK) Limited (Company) and its subsidiaries (collectively referred to as the Consolidated Entity) for the half year ended 31 December 2019 (half year).

**Incorporation and principal place of business**

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 901, Three Pacific Place, 1 Queen's Road East, Hong Kong.

On 22 August 2012, the Company became a party to the stapling deed with Goodman Limited (GL) and Goodman Industrial Trust (GIT), and together the three entities and their controlled entities are known as Goodman Group. Goodman Group is listed on the Australian Securities Exchange.

**Principal activities**

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, investment management, property management services and development management.

**Condensed interim financial statements**

The results of the Consolidated Entity for the half year and the state of the Consolidated Entity's affairs at that date are set out in the condensed interim financial statements on pages A4 to A23.

No interim dividends were declared in respect of the current half year; however, the Company did pay a final dividend of 5.0 cents per share amounting to A\$90.7 million that had been declared in June 2019.

**Directors**

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

**Directors**

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

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**State of affairs**

On 19 August 2019, the Consolidated Entity acquired Dollmist Limited and its controlled entities from Goodman Limited. Details of the acquisition are set out in note 13 of the condensed interim financial report.

Other than the matter above, there were no other significant changes in the Consolidated Entity's state of affairs during the half year.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Report of the directors**  
**for the half year ended 31 December 2019**

**Events subsequent to the reporting date**

There has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

By order of the board



**Ian Douglas Ferrier, AM**  
Independent Chairman

Hong Kong, 13 February 2020



**David Jeremy Collins**  
Director

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Consolidated interim statement of financial position**  
**as at 31 December 2019**

(expressed in Australian dollars)

	<b>Consolidated</b>		
		<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>Note</b>	<b>\$M</b>	<b>\$M</b>
<b>Current assets</b>			
Cash		270.7	212.7
Inventories	4(b)	345.9	156.6
Receivables	5	484.8	556.2
Contract assets		212.8	279.5
Current tax receivables		3.1	1.2
Other assets		2.2	1.5
Asset held for sale	4(b)	97.5	-
<b>Total current assets</b>		<b>1,417.0</b>	<b>1,207.7</b>
<b>Non-current assets</b>			
Inventories	4(b)	490.8	315.2
Investment properties	4(b)	13.6	-
Investments accounted for using the equity method	4(b)	1,249.2	1,226.9
Receivables	5	241.6	82.1
Other financial assets	8	47.0	28.2
Deferred tax assets		4.8	0.1
Property, plant and equipment	1(c)	29.1	4.7
Other assets		5.6	5.8
<b>Total non-current assets</b>		<b>2,081.7</b>	<b>1,663.0</b>
<b>Total assets</b>		<b>3,498.7</b>	<b>2,870.7</b>
<b>Current liabilities</b>			
Payables	6	1,072.9	1,074.0
Contract liabilities		18.4	5.2
Current tax payables		28.4	28.3
Employee benefits		18.3	23.9
Dividend payable	9	-	90.7
Lease liabilities	1(c)	12.0	-
<b>Total current liabilities</b>		<b>1,150.0</b>	<b>1,222.1</b>
<b>Non-current liabilities</b>			
Payables	6	882.6	300.0
Contract liabilities		2.7	3.0
Deferred tax liabilities		27.6	30.8
Employee benefits		17.2	-
Lease liabilities	1(c)	26.8	-
Other financial liabilities	8	9.0	6.7
<b>Total non-current liabilities</b>		<b>965.9</b>	<b>340.5</b>
<b>Total liabilities</b>		<b>2,115.9</b>	<b>1,562.6</b>
<b>Net assets</b>		<b>1,382.8</b>	<b>1,308.1</b>
<b>Equity attributable to Shareholders</b>			
Share capital	10	732.0	696.0
Reserves	11	(616.6)	(447.4)
Retained earnings	12	1,243.8	1,034.8
<b>Total equity attributable to Shareholders</b>		<b>1,359.2</b>	<b>1,283.4</b>
Non-controlling interests		23.6	24.7
<b>Total equity</b>		<b>1,382.8</b>	<b>1,308.1</b>

The notes on pages A8 to A23 form part of this condensed interim financial report.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Consolidated interim statement of comprehensive income**  
**for the half year ended 31 December 2019**

(expressed in Australian dollars)

	Note	Consolidated	
		2019 \$M	2018 \$M
<b>Revenue</b>			
Gross property income		8.2	3.8
Management income		104.2	122.6
Development income	2	369.1	479.8
		<b>481.5</b>	<b>606.2</b>
<b>Property and development expenses</b>			
Property expenses		(2.0)	(1.4)
Development expenses	2	(233.5)	(324.5)
		<b>(235.5)</b>	<b>(325.9)</b>
<b>Other income</b>			
Net gain from fair value adjustments on investment properties		0.4	-
Share of net results of equity accounted investments	4(e)	72.3	103.0
Net gain on disposal of equity accounted investments		15.6	6.2
		<b>88.3</b>	<b>109.2</b>
<b>Other expenses</b>			
Employee expenses		(85.4)	(60.4)
Share based payments expense		(31.5)	(22.8)
Administrative and other expenses		(14.9)	(13.4)
		<b>(131.8)</b>	<b>(96.6)</b>
<b>Profit before interest and income tax</b>		<b>202.5</b>	<b>292.9</b>
<b>Net finance income/(expense)</b>			
Finance income	7	39.2	2.4
Finance expense	7	(8.5)	(14.3)
<b>Net finance income/(expense)</b>		<b>30.7</b>	<b>(11.9)</b>
<b>Profit before income tax</b>		<b>233.2</b>	<b>281.0</b>
Income tax expense		(21.0)	(19.7)
<b>Profit for the half year</b>		<b>212.2</b>	<b>261.3</b>
<b>Profit for the half year attributable to:</b>			
Shareholders	12	209.0	257.7
Non-controlling interests		3.2	3.6
<b>Profit for the half year</b>		<b>212.2</b>	<b>261.3</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Increase due to revaluation of other financial assets		0.5	-
		<b>0.5</b>	<b>-</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Effect of foreign currency translation		(31.4)	(10.5)
		<b>(31.4)</b>	<b>(10.5)</b>
<b>Other comprehensive loss for the half year, net of tax</b>		<b>(30.9)</b>	<b>(10.5)</b>
<b>Total comprehensive income for the half year</b>		<b>181.3</b>	<b>250.8</b>
<b>Total comprehensive income for the half year attributable to:</b>			
Shareholders		178.3	246.5
Non-controlling interests		3.0	4.3
<b>Total comprehensive income for the half year</b>		<b>181.3</b>	<b>250.8</b>

The notes on pages A8 to A23 form part of this condensed interim financial report.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Consolidated interim statement of changes in equity**  
**for the half year ended 31 December 2019**

(expressed in Australian dollars)

**Half year ended 31 December 2018**

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

**Half year ended 31 December 2019**

Consolidated	Note	Attributable to Shareholders			Non-controlling interests	Total equity	
		Share capital	Reserves	Retained earnings			
		\$M	\$M	\$M	\$M	\$M	
<b>Balance at 1 July 2019</b>		<b>696.0</b>	<b>(447.4)</b>	<b>1,034.8</b>	<b>1,283.4</b>	<b>24.7</b>	<b>1,308.1</b>
<b>Total comprehensive income for the half year</b>							
Profit for the half year	12	-	-	209.0	209.0	3.2	212.2
Other comprehensive loss for the half year		-	(30.7)	-	(30.7)	(0.2)	(30.9)
<b>Total comprehensive (loss)/income for the half year, net of income tax</b>		<b>-</b>	<b>(30.7)</b>	<b>209.0</b>	<b>178.3</b>	<b>3.0</b>	<b>181.3</b>
<b>Contributions by and distributions to owners</b>							
Dividend declared/paid		-	-	-	-	(4.9)	(4.9)
Issue of shares to employees of Goodman Group	10	36.0	-	-	36.0	-	36.0
Equity settled share based payments transactions	11(c)	-	(1.9)	-	(1.9)	-	(1.9)
Acquisition of entities from Goodman Limited	13	-	(136.6)	-	(136.6)	-	(136.6)
Acquisition of special purpose development entity with non-controlling interests		-	-	-	-	0.8	0.8
<b>Balance at 31 December 2019</b>		<b>732.0</b>	<b>(616.6)</b>	<b>1,243.8</b>	<b>1,359.2</b>	<b>23.6</b>	<b>1,382.8</b>

The notes on pages A8 to A23 form part of this condensed interim financial report.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Consolidated interim cash flow statement**  
**for the half year ended 31 December 2019**

(expressed in Australian dollars)

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$M</b>	<b>\$M</b>
<b>Cash flows from operating activities</b>		
Property income received	7.6	3.8
Cash receipts from development activities	486.6	349.0
Other cash receipts from services provided	94.8	66.0
Property expenses paid	(1.9)	(1.5)
Payments for development activities	(289.6)	(186.8)
Other cash payments in the course of operations	(112.6)	(75.1)
Dividends/distributions received	9.3	7.2
Interest received	4.7	0.2
Finance costs paid	(0.6)	(0.3)
Net income taxes paid	(27.5)	(5.8)
<b>Net cash provided by operating activities</b>	<b>170.8</b>	<b>156.7</b>
<b>Cash flows from investing activities</b>		
Payments for investment properties	(94.9)	-
Proceeds from disposal of equity accounted investments	-	6.3
Capital return from equity accounted investments	77.7	0.3
Payments for equity investments	(46.2)	(43.8)
Payments for plant and equipment	-	(0.3)
Cash acquired on acquisition of subsidiaries	34.4	-
<b>Net cash used in investing activities</b>	<b>(29.0)</b>	<b>(37.5)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from loans with related parties	18.8	22.9
Payments of lease liabilities	(5.6)	-
Dividends paid to Shareholders	(90.7)	(90.0)
Dividends paid to non-controlling interests	(4.9)	-
<b>Net cash used in financing activities</b>	<b>(82.4)</b>	<b>(67.1)</b>
Net increase in cash held	59.4	52.1
Cash at the beginning of the half year	212.7	115.5
Effect of exchange rate fluctuations on cash held	(1.4)	6.7
<b>Cash at the end of the half year</b>	<b>270.7</b>	<b>174.3</b>

The notes on pages A8 to A23 form part of this condensed interim financial report.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

(expressed in Australian dollars)

**Basis of preparation**

**1 Basis of preparation**

**(a) Statement of compliance**

This condensed interim financial report of the Company as at and for the half year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interests in joint ventures (JVs).

This condensed interim financial report has been prepared on a going concern basis and in accordance with HKAS 34 *Interim financial reporting*. The condensed interim financial report is presented in Australian dollars and was authorised for issue by the directors on 13 February 2020.

In accordance with the stapling agreement between the Company, GL and Goodman Funds Management Limited as responsible entity for GIT, on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

- + lending money or providing financial accommodation;
- + guaranteeing any loan or other financing facility including providing any security;
- + entering into any covenant, undertaking, restraint or negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
- + entering into any joint borrowing or joint financial accommodation and providing any guarantee, security, indemnities and undertakings in connection with the relevant joint borrowing or joint financial accommodation.

A party need not do anything under the above arrangements to the extent that the party considers that it is not in the interests of Goodman Group Securityholders as a whole, or would cause a member of the party's group to contravene or breach applicable laws or particular finance arrangements.

The condensed interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the Consolidated Entity as at and for the year ended 30 June 2019.

The financial information relating to the year ended 30 June 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual report for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- + the Company has delivered the financial statements for the year ended 30 June 2019 to the Registrar of Companies in accordance with section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance; and
- + the Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not include a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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

The preparation of the condensed interim financial report requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year can be found in note 4 – Property assets.

The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**Measurement of fair values**

A number of the Consolidated Entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Basis of preparation (cont)**

**1 Basis of preparation (cont)**

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

When measuring the fair value of an asset or a liability, the Consolidated Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy and have been defined as follows:

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

Further information about the assumptions made in relation to the Consolidated Entity's property assets are included in note 4.

**(c) Changes in accounting policies**

Except as disclosed below, the accounting policies applied in these interim financial statements are the same as those applied by the Consolidated Entity in the financial statements for the year ended 30 June 2019.

**HKFRS 16 Leases**

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 Consolidated Entity applied HKFRS 16 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. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

***Accounting policy applicable from 1 July 2019***

**(i) Definition**

HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Consolidated Entity applied 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.

**(ii) Lessee accounting**

The Consolidated Entity recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost plus any direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change arising from the reassessment of whether the Consolidated Entity will be reasonably certain to exercise an extension or termination option. The new standard will result in the gross up of assets and liabilities where the Consolidated Entity leases office buildings, motor vehicles, office equipment and development land classified as inventories.

The right of use assets in respect of office buildings, motor vehicles and office equipment are depreciated using the straight-line method over the period of the lease. Ground leases of development land that are classified as inventories are not depreciated, but are assessed at each reporting date for impairments to ensure they are recorded at the lower of cost and net realisable value.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Basis of preparation (cont)**

**1 Basis of preparation (cont)**

**(c) Changes in accounting policies (cont)**

**(ii) Leasehold investment property**

Under HKFRS 16, the Consolidated Entity is required to account for all properties on leasehold land as investment properties when these properties are held for the purpose of leasing to produce rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Consolidated Entity's financial statements as the Consolidated Entity has previously applied HKAS 40 *Investment property*, to account for all of its leasehold properties that were held for investment purposes at fair value. Consequentially, these leasehold investment properties continue to be carried at fair value.

**(iii) Lessor accounting**

The accounting policies applicable to the Consolidated Entity as a lessor remain substantially unchanged from those under HKAS 17.

**(v) Transitional impact**

The following table summarises the impact of the adoption of HKFRS 16 on the Consolidated Entity's consolidated statement of financial position:

	Impact of adopting HKFRS 16		
	At 30 Jun 2019	Adjustments	At 1 Jul 2019
	\$M	\$M	\$M
<b>Current assets</b>			
Inventories	156.6	1.1	157.7
<b>Total current assets</b>	<b>1,207.7</b>	<b>1.1</b>	<b>1,208.8</b>
<b>Non-current assets</b>			
Inventories	315.2	14.8	330.0
Property, plant and equipment	4.7	28.0	32.7
<b>Total non-current assets</b>	<b>1,663.0</b>	<b>42.8</b>	<b>1,705.8</b>
<b>Current liabilities</b>			
Lease liabilities	-	1.1	1.1
<b>Total current liabilities</b>	<b>1,222.1</b>	<b>1.1</b>	<b>1,223.2</b>
<b>Non-current liabilities</b>			
Lease liabilities	-	42.8	42.8
<b>Total non-current liabilities</b>	<b>340.5</b>	<b>42.8</b>	<b>383.3</b>
<b>Net assets</b>	<b>1,308.1</b>	<b>-</b>	<b>1,308.1</b>

**Inventories**

The adjustment to inventories arises from leasehold land previously classified as operating leases and held for development.

**Property, plant and equipment**

On the adoption of HKFRS 16, the Consolidated Entity presented the right of use assets associated with the leases of office buildings, motor vehicles and office equipment as property, plant and equipment. In the prior full year financial report, property, plant and equipment was included in other assets in the consolidated statement of financial position.

**Lease liabilities**

The present value of future lease payments are presented as lease liabilities.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Basis of preparation (cont)**

**1 Basis of preparation (cont)**

**(c) Changes in accounting policies (cont)**

**(vi) Impact on results for the period**

After the initial recognition of right of use assets and lease liabilities at 1 July 2019, Consolidated Entity, as a lessee, is required to recognise interest expense on the outstanding balance of the lease liability, and the depreciation of the right of use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on profit or loss in the current period as a result of this change in policy is not significant compared to the results if HKAS 17 continued to apply.

In the consolidated interim cash flow statement, the Consolidated Entity, as a lessee, has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. Under HKAS 17, the entire lease payment was classified within operating activities. The Consolidated Entity has determined that the change does not have a significant impact on the presentation of cash flows.

**(d) Accounting standards issued but not yet effective**

The Consolidated Entity has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of the new accounting standards or interpretations are expected to have a significant impact on the results of the Consolidated Entity.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Results for the half year**

**2 Profit before interest and income tax**

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

	Consolidated	
	2019	2018
	\$M	\$M
Income from disposal of inventories	320.5	217.2
Development income from fixed price development contracts	16.1	231.2
Other development income, including development management	32.0	27.2
Net gain on disposal of special purpose development entities	0.5	4.2
<b>Development income</b>	<b>369.1</b>	<b>479.8</b>
Inventory cost of sales	(222.3)	(151.3)
Other development expenses	(11.2)	(173.2)
<b>Development expenses</b>	<b>(233.5)</b>	<b>(324.5)</b>

**3 Segment reporting**

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (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.

**Information about reportable segments**

	Asia		Continental Europe		United Kingdom		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Statement of comprehensive income</b>								
<b>External revenues</b>								
Gross property income	1.0	0.7	4.2	3.1	3.0	-	8.2	3.8
Management income	43.8	35.5	59.4	87.1	1.0	-	104.2	122.6
Development income	29.1	25.7	335.9	454.1	4.1	-	369.1	479.8
<b>Total external revenues</b>	<b>73.9</b>	<b>61.9</b>	<b>399.5</b>	<b>544.3</b>	<b>8.1</b>	<b>-</b>	<b>481.5</b>	<b>606.2</b>
<b>Analysis of external revenues:</b>								
<b>Revenues from contracts with customers</b>								
Assets and services transferred at a point in time	9.4	12.7	329.6	223.1	3.1	-	342.1	235.8
Assets and services transferred over time	63.6	48.5	66.5	319.1	1.9	-	132.0	367.6
<b>Other revenue</b>								
Rental income (excludes outgoing recoveries)	0.9	0.7	3.4	2.1	3.1	-	7.4	2.8
<b>Total external revenues</b>	<b>73.9</b>	<b>61.9</b>	<b>399.5</b>	<b>544.3</b>	<b>8.1</b>	<b>-</b>	<b>481.5</b>	<b>606.2</b>
<b>Reportable segment profit before income tax<sup>1</sup></b>	<b>98.2</b>	<b>49.8</b>	<b>171.2</b>	<b>208.3</b>	<b>0.4</b>	<b>1.8</b>	<b>269.8</b>	<b>259.9</b>
<b>Other key components of financial performance included in reportable segment profit before income tax</b>								
Share of net results of equity accounted investments (before fair value adjustments)	47.6	6.7	6.6	5.4	2.3	1.8	56.5	13.9
<b>Material non-cash items not included in reportable segment profit before income tax</b>								
Share of fair value adjustments in equity accounted investments	8.0	61.6	2.1	14.3	5.7	13.2	15.8	89.1

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

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Results for the half year (cont)**

**3 Segment reporting (cont)**

	Asia		Continental Europe		United Kingdom		Total	
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2019	2019	2019	2019	2019	2019	2019	2019
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Statement of financial position</b>								
<b>Reportable segment assets</b>	<b>1,400.6</b>	<b>1,405.1</b>	<b>846.9</b>	<b>855.4</b>	<b>721.7</b>	<b>202.2</b>	<b>2,969.2</b>	<b>2,462.7</b>
Investments accounted for using the equity method (included in reportable segment assets)	875.7	882.9	155.1	147.7	218.4	196.3	1,249.2	1,226.9
Total non-current assets	1,006.5	993.9	470.7	472.8	396.2	196.3	1,873.4	1,663.0
<b>Reportable segment liabilities</b>	<b>88.3</b>	<b>76.2</b>	<b>108.8</b>	<b>73.3</b>	<b>93.6</b>	<b>-</b>	<b>290.7</b>	<b>149.5</b>

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

	2019	2018
	\$M	\$M
<b>Revenue</b>		
Total revenue for reportable segments	481.5	606.2
<b>Consolidated revenues</b>	<b>481.5</b>	<b>606.2</b>
<b>Profit or loss</b>		
<b>Total profit before income tax for reportable segments</b>	<b>269.8</b>	<b>259.9</b>
Corporate expenses not allocated to reportable segments	(52.0)	(33.3)
	<b>217.8</b>	<b>226.6</b>
Valuation and other adjustments not included in reportable segment profit before income tax:		
- Net gain from fair value adjustments on investment properties	0.4	-
- Share of fair value adjustments in equity accounted investments	15.8	89.1
- Share based payments expense	(31.5)	(22.8)
Net finance income/(expense) - refer to note 7	30.7	(11.9)
<b>Consolidated profit before income tax</b>	<b>233.2</b>	<b>281.0</b>

	31 Dec 2019	30 Jun 2019
	\$M	\$M
<b>Assets</b>		
Total assets for reportable segments	2,969.2	2,462.7
Other unallocated amounts <sup>1</sup>	529.5	408.0
<b>Consolidated total assets</b>	<b>3,498.7</b>	<b>2,870.7</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	290.7	149.5
Other unallocated amounts <sup>1</sup>	1,825.2	1,413.1
<b>Consolidated total liabilities</b>	<b>2,115.9</b>	<b>1,562.6</b>

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

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Operating assets and liabilities**

**4 Property assets**

**(a) Types of property assets**

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

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

Inventories are classified as non-current assets unless they are contracted to be sold within 12 months of the end of the reporting period, in which case they are classified as current assets.

**Investment properties**

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at their fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

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

	Note	Consolidated	
		31 Dec 2019	30 Jun 2019
		\$M	\$M
<b>Directly held property:</b>			
<b>Inventories<sup>1</sup></b>			
Current	4(d)	345.9	156.6
Non-current	4(d)	490.8	315.2
		<b>836.7</b>	<b>471.8</b>
<b>Asset held for sale<sup>2</sup></b>			
Stabilised investment property		97.5	-
<b>Investment properties</b>			
Stabilised investment properties		13.6	-
		<b>13.6</b>	-
<b>Property held by Partnerships:</b>			
Investments accounted for using the equity method - JVs	4(e)	1,249.2	1,226.9
		<b>1,249.2</b>	<b>1,226.9</b>

- Inventories at 31 December 2019 include \$34.2 million of developments on leasehold land recognised as right of use assets under the new leasing standard.
- The asset held for sale relates to a stabilised property in the United Kingdom that has been acquired with the intention of transferring it to a Partnership.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Operating assets and liabilities (cont)**

**4 Property assets (cont)**

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

**Inventories**

For both inventories held directly and inventories held in Partnerships, external valuations are not performed but instead valuations are determined using the feasibility studies supporting the land and property developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market. Where the feasibility study calculations indicate that the forecast cost of a completed development will exceed the net realisable value, then the inventories are impaired.

**Investment properties**

**Stabilised investment properties**

The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Market assessment**

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

<b>Division</b>	<b>Total portfolio weighted average capitalisation rate</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	%	%
Asia	<b>5.6</b>	5.6
Continental Europe	<b>4.4</b>	4.6
United Kingdom	<b>4.5</b>	4.5

**Investment properties under development**

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions such as capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location, size and current status of the development and is generally in a market range of 10% to 15%. This adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

This practice of determining fair value by reference to the development feasibility is generally also applied for the Consolidated Entity's investments in Partnerships. However, certain Partnerships do obtain independent valuations for investment properties under development each financial year.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Operating assets and liabilities (cont)**

**4 Property assets (cont)**

**(d) Inventories**

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$M	\$M
<b>Current</b>		
Land and development properties	345.9	156.6
	<b>345.9</b>	<b>156.6</b>
<b>Non-current</b>		
Land and development properties	456.6	315.2
Leasehold land and development properties	34.2	-
	<b>490.8</b>	<b>315.2</b>

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

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	31 Dec 2019 %	30 Jun 2019 %	31 Dec 2019 \$M	30 Jun 2019 \$M
<b>Property investment</b>							
KWASA Goodman Germany (KGG)	Luxembourg	6.9	18.4	18.4	19.3	142.7	140.8
<b>Property development</b>							
Goodman Japan Development Partnership (GJDP)	Japan	39.3	0.8	50.0	50.0	163.0	189.4
<b>Property investment and development</b>							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	18.8	67.8	20.0	20.0	712.0	690.3
Goodman UK Partnership (GUKP)	United Kingdom	8.0	15.0	33.3	33.3	214.3	196.3
Other JVs		(0.7)	1.0			17.2	10.1
		<b>72.3</b>	<b>103.0</b>			<b>1,249.2</b>	<b>1,226.9</b>

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Operating assets and liabilities (cont)**

**4 Property assets (cont)**

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

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$M</b>	<b>\$M</b>
<b>Movements in carrying amount of investments in JVs</b>		
Carrying amount at the beginning of the half year	1,226.9	907.2
Share of net results after tax (before fair value adjustments)	56.5	13.9
Share of fair value adjustments	15.8	89.1
Share of net results	72.3	103.0
Share of movements in reserves	(13.5)	(45.4)
Acquisitions	48.1	41.9
Capital return	(77.7)	(0.3)
Dividends/distributions received and receivable	(11.1)	(7.2)
Effect of foreign currency translation	4.2	42.3
<b>Carrying amount at the end of the half year</b>	<b>1,249.2</b>	<b>1,041.5</b>

**5 Receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$M</b>	<b>\$M</b>
<b>Current</b>		
Trade receivables	9.5	7.8
Other receivables	75.8	50.8
Amounts due from related parties	87.6	89.6
Loans to related parties	311.9	408.0
	<b>484.8</b>	<b>556.2</b>
<b>Non-current</b>		
Loans to related parties	241.6	82.1
	<b>241.6</b>	<b>82.1</b>

**6 Payables**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$M</b>	<b>\$M</b>
<b>Current</b>		
Trade payables	71.3	26.9
Other payables and accruals	202.1	195.4
Loans from related parties	799.5	851.7
	<b>1,072.9</b>	<b>1,074.0</b>
<b>Non-current</b>		
Other payables and accruals	45.2	49.3
Loans from related parties	837.4	250.7
	<b>882.6</b>	<b>300.0</b>

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Capital management**

**7 Finance income and expense**

	Note	Consolidated	
		2019	2018
		\$M	\$M
<b>Finance income</b>			
Interest income on loans to:			
- Related parties	14	3.4	2.1
- Other parties		0.5	0.3
Fair value adjustments on derivative financial instruments		35.3	-
		<b>39.2</b>	<b>2.4</b>
<b>Finance expense</b>			
Interest expense from related party loans	14	(13.2)	(18.4)
Other borrowing costs		(0.2)	(0.2)
Foreign exchange loss		-	(0.2)
Capitalised borrowing costs		4.9	4.5
		<b>(8.5)</b>	<b>(14.3)</b>
<b>Net finance income/(expense)</b>		<b>30.7</b>	<b>(11.9)</b>

**8 Financial instruments**

**(i) 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 31 December 2019 and 30 June 2019.

**(ii) Fair value hierarchy**

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

	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M
<b>As at 31 December 2019</b>				
Derivative financial assets	-	18.4	-	18.4
Investment in unlisted securities	-	-	28.6	28.6
	-	<b>18.4</b>	<b>28.6</b>	<b>47.0</b>
Derivative financial liabilities	-	9.0	-	9.0
	-	<b>9.0</b>	-	<b>9.0</b>
<b>As at 30 June 2019</b>				
Investment in unlisted securities	-	-	28.2	28.2
	-	-	<b>28.2</b>	<b>28.2</b>
Derivative financial liabilities	-	6.7	-	6.7
	-	<b>6.7</b>	-	<b>6.7</b>

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Capital management (cont)**

**8 Financial instruments**

**(iii) 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 cross currency interest rate swaps.

The fair value of derivative financial instruments are determined using generally accepted pricing models which discount estimated future cash flows based on the terms and maturity of each contract and current market interest rates and/or foreign currency rates, adjusted for specific features of the instruments. Fair values also reflect the current creditworthiness of the derivative counterparties.

The Level 3 investment in unlisted securities relate to the Consolidated Entity's investment in equity securities and is carried at fair value. There have been no changes in the significant unobservable inputs used to determine the fair value since 30 June 2019.

**Reconciliation of Level 3 fair values**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$M</b>	<b>\$M</b>
Carrying amount at the beginning of the half year	28.2	21.5
Acquisitions	0.1	1.8
Net change in fair value - included in other comprehensive income	0.5	-
Effect of foreign currency translation	(0.2)	1.4
<b>Carrying amount at the end of the half year</b>	<b>28.6</b>	<b>24.7</b>

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Capital management (cont)**

**9 Dividends**

No interim dividends were declared in respect of the current half year; however, the Company did pay a final dividend of 5.0 cents per share amounting to \$90.7 million that had been declared in June 2019.

**10 Share capital**

	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Number of shares		\$M	\$M
Share capital	1,828,413,236	1,813,881,995	732.6	696.6
Accumulated issue costs			(0.6)	(0.6)
<b>Total issued capital</b>			<b>732.0</b>	<b>696.0</b>

Details	Number of shares	Share capital \$M
<b>Ordinary shares, issued and fully paid</b>		
Balance at 1 July 2018	1,800,763,877	675.2
Shares issued to employees of Goodman Group <sup>1</sup>	13,118,118	21.4
<b>Balance at 30 June 2019</b>	<b>1,813,881,995</b>	<b>696.6</b>
Shares issued to employees of Goodman Group <sup>1</sup>	14,531,241	36.0
<b>Balance at 31 December 2019</b>	<b>1,828,413,236</b>	<b>732.6</b>

1. During the half year, the Company issued 14,531,241 (2018: 13,118,118) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Other items**

**11 Reserves**

	Note	Consolidated	
		31 Dec 2019	30 Jun 2019
		\$M	\$M
Asset revaluation reserve	11(a)	14.7	14.2
Foreign currency translation reserve	11(b)	17.1	48.3
Employee compensation reserve	11(c)	26.3	28.2
Common control reserve <sup>1</sup>	11(d)	(674.7)	(538.1)
<b>Total reserves</b>		<b>(616.6)</b>	<b>(447.4)</b>

1. The common control reserve arises from the acquisition of entities from other members of Goodman Group under the pooling of interest method. The amount in the common control reserve reflects the difference between the consideration paid and the carrying values of the assets and liabilities of the acquired entity at the date of acquisition.

The movements in reserves of the Consolidated Entity are analysed below:

	Consolidated	
	2019	2018
	\$M	\$M
<b>(a) Asset revaluation reserve</b>		
Balance at the beginning of the half year	14.2	11.2
Increase due to revaluation of other financial assets	0.5	-
<b>Balance at the end of the half year</b>	<b>14.7</b>	<b>11.2</b>
<b>(b) Foreign currency translation reserve</b>		
Balance at the beginning of the half year	48.3	46.3
Net exchange differences on conversion of foreign operations	(31.2)	(11.2)
<b>Balance at the end of the half year</b>	<b>17.1</b>	<b>35.1</b>
<b>(c) Employee compensation reserve</b>		
Balance at the beginning of the half year	28.2	21.0
Equity settled share based payment transactions	(1.9)	0.3
<b>Balance at the end of the half year</b>	<b>26.3</b>	<b>21.3</b>
<b>(d) Common control reserve</b>		
Balance at the beginning of the half year	(538.1)	(538.1)
Acquisition of entities from Goodman Limited (refer to note 13)	(136.6)	-
<b>Balance at the end of the half year</b>	<b>(674.7)</b>	<b>(538.1)</b>

**12 Retained earnings**

	Consolidated	
	2019	2018
	\$M	\$M
Balance at the beginning of the half year	1,034.8	726.6
Profit for the half year	209.0	257.7
<b>Balance at the end of the half year</b>	<b>1,243.8</b>	<b>984.3</b>

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Other items (cont)**

**13 Acquisition of entities from Goodman Limited**

On 19 August 2019, the Consolidated Entity acquired Dollmist Limited and its subsidiaries from Goodman Limited for consideration of \$4.3 million. Dollmist Limited is the holding company of a number of other entities operating in the United Kingdom, which provide investment, development and property management activities.

**Carrying values of assets acquired and liabilities assumed**

<b>Identifiable assets and liabilities</b>	<b>Dollmist Limited \$M</b>
Cash	37.9
Inventories	303.7
Investment properties	12.5
Investments accounted for using the equity method	3.9
Receivables	20.1
Other assets	4.2
Payables	(514.6)
<b>Total net liabilities acquired</b>	<b>(132.3)</b>

**Amounts transferred to common control reserve**

	<b>\$M</b>
Total consideration transferred	4.3
Add: Carrying value of net liabilities acquired	132.3
<b>Amount transferred to common control reserve</b>	<b>136.6</b>

The amount transferred to the common control reserve represents the difference between the consideration paid and the carrying value of the net liabilities of the entity acquired.

**Goodman Logistics (HK) Limited and its subsidiaries**  
**Notes to the condensed interim financial report**  
**for the half year ended 31 December 2019**

**Other items (cont)**

**14 Related party transactions**

In addition to the acquisition of Dollmist Limited and its subsidiaries from Goodman Limited (refer to note 13), the Consolidated Entity had other related party transactions and balances, as detailed below.

**Management and development activities and amounts due from related parties**

	Management and development activities		Amounts due from related parties <sup>1</sup>	
	2019	2018	31 Dec 2019	30 Jun 2019
	\$M	\$M	\$M	\$M
<b>JVs</b>				
GCLP	48.1	33.9	45.6	34.9
KGG	3.5	39.5	-	-
	<b>51.6</b>	<b>73.4</b>	<b>45.6</b>	<b>34.9</b>
<b>Related parties of GL and GIT</b>				
Goodman Hong Kong Logistics Partnership	2.3	19.8	173.3	194.3
Goodman European Partnership	284.6	383.3	55.0	44.4
Other related parties	4.9	3.1	4.0	3.5
	<b>291.8</b>	<b>406.2</b>	<b>232.3</b>	<b>242.2</b>

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

**Financing arrangements with related parties**

	Loans to related parties		Loans from related parties		Interest income/(expense) charged on loans to/from related parties	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019	2019	2018
	\$M	\$M	\$M	\$M	\$M	\$M
JVs	48.3	78.5	-	-	-	0.2
GL, GIT and their controlled entities	501.6	408.0	(1,636.9)	(1,102.4)	(9.8)	(16.5)
<b>Related parties of GL and GIT</b>						
Goodman European Partnership	3.6	3.6	-	-	-	-
Related parties of GL and GIT	3.6	3.6	-	-	-	-
	<b>553.5</b>	<b>490.1</b>	<b>(1,636.9)</b>	<b>(1,102.4)</b>	<b>(9.8)</b>	<b>(16.3)</b>

**15 Events subsequent to the reporting date**

Other than disclosed elsewhere in the condensed interim financial report, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.



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

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

**Introduction**

We have reviewed the condensed interim financial report set out on pages A4 to A23 which comprises the consolidated interim statement of financial position of Goodman Logistics (HK) Limited as at 31 December 2019 and the related consolidated interim statements of comprehensive income and changes in equity and the condensed consolidated interim cash flow statement for the half year then ended and explanatory notes. The directors are responsible for the preparation and presentation of the condensed interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

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

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial report as at 31 December 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG  
Certified Public Accountants

8<sup>th</sup> Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

13 February 2020