GOODMAN GROUP ANNUAL REPORT 2017

INTELLECTUAL PROPERTY

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CHAIRMAN'S LETTER

Ahead of the curve

In the last five years, Goodman has capitalised on opportunities within the industrial property sector driven by growth in e-commerce, consumerism and changes in technology.

I am proud to say we have exceeded our five-year targets on a nominal and risk-adjusted basis. We have outperformed our local and global competition and in FY17 the Group has delivered total Securityholder returns of 15%, with 159% achieved for the five years to 30 June 2017, both of which are excellent outcomes. Across the industrial asset class, our customer base remains stable and strong due to long-term lease commitments.

Many of the customers contributing to our growth are digital disruptors seeking precisely the kind of innovative solutions Goodman is delivering. Our gateway city strategy, for example, provides such customers with properties close to large urban populations, enabling them to better service their own customers.

FY17 was an outstanding year for Goodman. Our financial highlights include:

+ Operating profit of $776 million, up 8.6% on FY16
+ Statutory profit of $778 million which was down on last year mainly due to a one off $205 million unrealised valuation loss and costs on our US bonds associated with the modifications made to their covenants in June
+ Group property valuation growth of $1.6 billion contributing to 3% growth in net tangible assets per security
+ Operating earnings per security (EPS) of 43.1 cents, up 7.5% on FY16
+ Distribution per security of 25.9 cents, up 8% on FY16
+ Maintaining a strong financial position with gearing reduced to 5.9%
+ Interest cover ratio of 9.5 times and Group liquidity at $3.2 billion.

A balanced approach

Our success at Goodman relies on our ability to be both responsive to the market and proactive in securing new opportunities. Some examples of how our balanced approach works are through:

1. **Strong financial position.** This is the result of prudently balancing risk and return in our development activities. Most development activity is contained within our managed Partnerships, which allows us to reduce the capital we directly contribute. Our speculative development is mainly limited to supply constrained and proven logistics markets.
2. **Quality portfolio supporting sustainable growth.** As part of our strategy, we have continued with our asset rotation programme and reinvested the proceeds from asset sales into developing modern logistics properties in strategic gateway cities. Long term, this will contribute additional value to our global portfolio providing sustainable returns for Goodman and our stakeholders.
3. **Appropriate mix of resources across regions and business segments.** Goodman continues to benefit from a global operating platform with offshore earnings now contributing 59% of operating earnings. Our US expansion now contributes 18% of the Group's development work in progress (WIP), with $1.3 billion in assets under management (AUM) across 11 properties.

Our management and development businesses have been key growth drivers, contributing 65% of operating earnings. While our asset sales programme has diluted investment earnings, our reduced development capital and the proceeds from asset sales resulted in lower net interest expense and higher return on capital.

Strides in energy efficiency

Goodman is more focused than ever on energy efficiency and more sustainable business. To this end, we have introduced design initiatives such as installing LED lights with daylight sensors in our warehouses and translucent panels and skylights to maximise natural lighting.

We are using more solar panels on our rooftops and our customers are increasingly evaluating the benefits of doing the same. In Japan, we have more than 16 mega watts of solar photovoltaic cells installed across our portfolio. In Australia, we completed five solar installations in the last year, with four more in planning phase.

Since 2012 we have decreased the energy consumption of our Australian operations by around 15%, by selling less energy efficient properties and achieving greater energy efficiency due to capital investment into buildings.

Board renewal

It is crucial we maintain the most effective blend of experience and contemporary vision on our Board. After 12 years of service on the Board, Anne Keating and John Harkness are retiring. Both were instrumental in transitioning Goodman from its Australian base to become one of the leading global industrial property groups providing competitive returns on a sustainable basis. I thank them for their contribution.

Philip Fan is also retiring from the Board to pursue his interests in Greater China. Philip's service since 2011 has been valuable in Goodman's expansion in China.

I wish all of them well in their future endeavours.

As part of the Board renewal process, I am delighted to welcome Stephen Johns to the Board as a Non-Executive Director. Stephen brings much experience through his eminent career as Chairman and Non-Executive Director of Brambles. Among other roles, Stephen had a long career with Westfield Group as an Executive and Non-Executive Director. We look forward to his contribution.

Thank you to our people

Goodman's strong result is owed not only to the consistent implementation of our global strategy but also to the outstanding team of individuals who implemented it. I would like to sincerely thank all our employees for their contribution and of course, our investors and customers for their continued support.

Mr. Ian Ferrier, AM
Independent Chairman

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Era of digital disruption

Goodman delivered another strong performance in FY17. We capitalised on market conditions and continued to deliver consistent and sustainable growth.

Our strong performance was evidenced by operating profit, earnings per security and distribution per security all up on last year. We also continued our proven strategy of focusing on key gateway cities, close to consumers.

Goodman's integrated own+develop+manage platform and global network provides a broad diversity of earnings which we saw grow in FY17.

Key operational highlights to 30 June 2017 included:

+ Growth in AUM to $34.6 billion (Own)
+ An increase in development WIP to $3.5 billion (Develop)
+ Average Partnership return of 14.4% (Manage).

This growth happened as we decreased our gearing level and increased liquidity, giving us the flexibility to capitalise on opportunities as they arise.

Technology driven market

Technology is having a greater impact on consumers as well as on the industrial property market and how we service our customers. We are seeing, and planning for, rapid technology and behavioural change as more automation and artificial intelligence are rolled out.

Technology has raised consumer expectations around product availability, speed of delivery and cost. Meeting expectations on the latter two are essential. Therefore, proximity to consumers has become a critical factor in reducing delivery time and cost. In some markets there can be less than one hour between purchase and delivery.

As e-commerce evolves, demand grows for our expertise in high quality logistics facilities in prime locations. We expect this to accelerate over the next five to ten years.

OWN

Higher quality portfolio delivering results

In FY17, we continued to improve asset quality through our strategy of asset rotation.

By taking advantage of the property cycle to refine our portfolio, we completed $3.5 billion in asset sales (including urban renewal), with another $2 billion forecast in the next year. This led to marked improvements in metrics such as occupancy, lease reversions and like-for-like rental growth, with expectations of further improvements.

Our customers value our quality locations and service, as evidenced by customer retention, which remained high at 81%. Our customer base is largely comprised of four industry sectors and no single customer accounts for more than 3% of our base.

In Australia, we have completed $2.1 billion in asset sales over the last three years as part of our urban renewal programme, with $1.2 billion settled in FY17 and a further $0.3 billion due to settle in FY18. The Group has sites under its control across the Australian portfolio, capable of delivering a pipeline of 35,000 apartments which will continue to be a potentially significant source of capital to fund our operations over the medium to long-term.

DEVELOP

Strong workbook increasingly moving into Partnerships

Goodman's development work in progress increased to $3.5 billion. It covers 77 projects in 12 countries and has a forecast yield on cost of 7.8%.

75% of this development work in progress is now within the Partnerships. This reduces volatility in development earnings while providing the Partnerships with the opportunity for higher returns, supporting outperformance over the long-term.

Customer enquiries remained strong, reinforcing the strategy to limit speculative development to supply constrained markets. 65% of developments were pre-committed on commencement and upon completion, 88% of developments had customer commitments.

We are well placed to keep delivering high quality product in key locations with a potential global development pipeline of $10 billion as we continue to favour development as the way to grow assets under management at this point in the cycle.

MANAGE

Positive returns

Goodman has increased its total assets under management to $34.6 billion. External assets under management are up 4% to $30.5 billion. This growth is despite $8 billion in asset sales achieved since FY15 and is a direct result of our higher quality portfolio in wealthy, consumer-dominated markets.

Given the volume of asset sales, net investment income is down. However, we anticipate the underlying portfolio will deliver strong long-term results as we redeploy capital to developments that leverage increasing urbanisation and rising consumerism.

Management earnings were up 3%, supported by positive valuations and development programmes. Strong returns in the Partnerships led to performance fees that are forecast to continue beyond FY18. The development and management businesses made strong contributions to Goodman's outperformance, with a combined operating earnings before interest and taxes (EBIT) margin of 67%.

Major achievements in our Partnerships included:

+ The Goodman Australia Industrial Partnership received a rating from Moody's and a ratings upgrade from Standard and Poor's. It also issued a US$600 million 10 year debt issuance
+ The Goodman Australia Partnership reduced its gearing from 26% to 7.3% with liquidity of around $1 billion
+ The Goodman Hong Kong Logistics Partnership restructured its unsecured debt platform with weighted average debt expiry extending to 5.5 years and net liquidity increasing to HK$2.9 billion
+ The Goodman European Partnership raised €399 million in uncalled equity.

CAPITAL MANAGEMENT

Operational flexibility and funding future obligations

Goodman's capital management is focused on operational flexibility, the ability to fund financial obligations and supporting long-term growth. This year, we capitalised on positive market conditions and the strength of our underlying business.

Key activities included:

+ Reducing our gearing to 5.9% (measured net of cash)
+ Amending our bank and bond covenants
+ Completing an exchange offer for US$1 billion in US144A bonds.

Due to our improved financial performance and position, we received credit rating upgrades from Standard and Poor's (BBB+) and Moody's (Baa1), with a stable outlook.

We also announced our repurchase of all $327 million Goodman PLUS hybrid securities to take place in October 2017. These capital management initiatives and further debt reduction will see continued interest savings in FY18 and beyond.

We now have $3.2 billion in liquidity while the Partnerships have $11 billion available in undrawn debt, equity and cash. This provides significant capacity to capitalise on growth opportunities.

Sustaining growth into the future

Goodman's strategy is designed to meet the changing needs of our customers and provide sustainable returns into the future. The strength of our development and leasing activities are being driven by:

+ Growth in consumerism globally
+ Evolution of e-commerce and increased supply chain sophistication
+ Rapid technological and behavioural change for both business and consumers as the use of automation and artificial intelligence increases
+ Scarcity of land in our gateway city locations.

Our diversity of earnings across divisions, combined with our scale and geographic spread, is expected to continue to deliver stable income growth. Meanwhile, assets under management are set to increase as our Partnerships continue to invest in new developments.

At a time of low interest rates, we are focused on total property returns on an unlevered basis.

The Group's forecast is for a full year operating profit for FY18 of $828 million, or 45.7 cents per security, up 6% on FY17.

The Group's team of more than 1,100 employees worldwide is central to this success and I would like to sincerely thank them for their hard work and commitment. On behalf of Goodman, I'd also like to thank all our stakeholders for their ongoing support. We look forward to continuing to deliver consistently strong results well into the future.

Mr. Gregory Goodman
Group Chief Executive Officer

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

SUSTAINABILITY

A greener future

At Goodman, we are committed to sustainability across our global business operations. Embracing sustainability is beneficial to our investments, our environment and our communities.

We incorporate sustainability into our operations by integrating it within our business strategy and continually looking for ways to improve our performance.

Importantly, we consider sustainability early in the planning process for new developments, which delivers better outcomes. We engage with our customers and prioritise their sustainability objectives. Working together, we can ensure sustainability measures improve efficiency and, where possible, improve customer satisfaction by adding long-term value to the property.

Our sustainability strategy

Goodman's sustainability strategy consists of four pillars:

+ Sustainable development
+ Asset management
+ Corporate performance
+ People and community.

Sustainable development

FY17 highlights include:

+ 100% of Goodman's completed developments included sustainable design initiatives
+ Installation of over one million watts (megawatt) of solar photovoltaic (PV) panels in Japan and Australia
+ More than 1.1 million sqm of industrial space with a certified green rating in Continental Europe.

We work collaboratively with our customers and consultants on new projects, incorporating the latest technology and design features to improve the environmental performance of our property portfolio. We focus on aspects such as natural lighting and energy efficiency.

Our development specifications are different in each region; however, we have similar sustainable design initiatives globally. These include:

+ Translucent roof sheeting to maximise natural lighting
+ Automated LED lighting to reduce energy consumption
+ Electrical sub-metering to monitor and measure energy consumption
+ Glare control to improve comfort for staff inside our warehouses
+ Materials low in volatile organic compounds to improve internal air quality
+ Rainwater harvesting and reuse to reduce water consumption
+ Drought tolerant native landscaping to conserve water
+ End of trip facilities such as staff showers and bicycle storage to encourage health and wellbeing.

Region specific initiatives

Certification in Continental Europe

We maintain high levels of sustainability in our development specifications in Continental Europe, where obtaining green certification across our platform remains a priority. Our portfolio now consists of more than 1.1 million sqm of certified space, with 230,000 sqm in progress. Most certified assets are certified under the German Sustainable Building Council (DGNB) scheme, with others certified under schemes such as the Building Research Establishment Environmental Assessment Method (BREEAM).

Building resilience in Japan

Our Japanese logistics assets are some of Goodman's highest quality and best performing assets, incorporating a range of sustainability, resilience and comfort features.

The new four-storey Akamatsudai facility in Kobe City is 50,900 sqm. Its features include around one mega watt of solar rooftop PV panels and importantly, the building is placed on raised and seismically stable land to mitigate the impact of earthquakes and tsunamis.

Our developments in New Zealand

We began eight new developments in New Zealand this year, including at Highbrook Business Park in Auckland. Within the Park, we have leased a new 5,300 sqm facility incorporating a warehouse, a concept showroom and a modern office area. Sustainability features include:

+ Efficient lighting and glazing
+ Translucent sheeting in the structural bays for natural light
+ 40ha of parklands with esplanade reserves
+ 12km of walking and cycling tracks.

Oakdale Industrial Estate in Sydney

Two new facilities were completed at Oakdale Industrial Estate during the year, including an 8,275 sqm property for DSV, a global transport and logistics operator. When DSV began to outgrow its premises, it pre-committed to leasing one of the new facilities at Oakdale. Sustainable design aspects include:

+ LED high bay lighting
+ 30,000 litre rainwater harvesting capacity for irrigation and amenities
+ Solar hot water heating
+ Native and drought tolerant landscaping.

Can Margarit Logistics Centre in Barcelona

We completed a logistics facility for the large sports retailer, Decathalon, in Barcelona. The facility is more than 39,000 sqm and features:

+ LED lighting
+ External green areas
+ Bicycle facilities
+ BREEAM Good Certificate.

Goodman Logistics Center in Fontana

In a city as eco-conscious as Los Angeles, it's vital to incorporate sustainability principles in developments. Our work on this 59,400 sqm distribution facility in Fontana includes:

+ Leadership in Energy and Environmental Design (LEED) certified shell
+ Prismatic roof skylights to maximise natural lighting
+ Stormwater detention basins
+ Energy efficient lighting
+ Drought tolerant landscaping.

Asset management

FY17 highlights:

+ A 4% reduction in energy consumption across our Australian office portfolio
+ Continued roll out of LED lighting in Australia and Continental Europe
+ A 5.5 star National Australian Built Environment Rating System (NABERS) energy rating for our Sydney office for the fourth consecutive year.

This involves taking a strategic view of each asset and evaluating factors including location, age, capital requirements and lease appeal. Lighting upgrades continue to be an effective way to reduce energy demand in our stabilised assets.

Lighting improvements

Australia

We switched older style warehouse lights with LED alternatives in several Australian sites, including at Erskine Park Industrial Estate in Western Sydney, where 250 high bay lights were replaced with LED lighting. This reduced energy use by approximately 50% and the upfront capital investment was also reduced due to the project's eligibility for energy saver certificates under the NSW Energy Saver Scheme.

The Australian office portfolio's 4% reduction in energy consumption was achieved by a further focus on energy efficiency, demand management and monitoring initiatives.

Europe

We've installed LED lighting in more than one million sqm of warehouse space in Europe, which has the added benefit of increasing the future leasing appeal and value of the properties.

Hong Kong

Around half of our stabilised portfolio in Hong Kong has now upgraded to LED lighting. The remainder is due within two years. At Goodman Interlink in Hong Kong we:

+ Replaced around 1,800 lights with LED alternatives. This is estimated to reduce monthly energy costs by around $HK26,500
+ Upgraded the heating, ventilation, and air conditioning (HVAC) system to one that uses half the power.

Renewable energy

We installed a further one megawatt of solar PV in Japan this year at Goodman Akamatsudai in Kobe City. This increased our total solar capacity in Japan to more than 16 megawatts. Japan remains our primary region for installation of PV panels, with more installations planned for Goodman Business Park Stage 2 in Chiba.

Global Real Estate Sustainability Benchmark (GRESB)

Goodman Group is a GRESB member. Membership gives us insights into the sustainability trends that impact real estate and access to collaborate with institutional real estate investors, owners and managers.

2017 was the seventh year Goodman participated in the GRESB survey. GRESB benchmarks environmental, social and governance (ESG) performance as reported by participants. More than seven Goodman entities submitted to GRESB including Partnerships from Australia, Asia, the UK and Continental Europe.

Each entity achieved Green Star status and ranked above their peer group average.

Australian Greenhouse Gas emissions

Goodman's FY17 greenhouse gas emissions (GHG) for its Australian operations are estimated at 37,556 $tC0_2$-e. The decrease in our absolute emissions is primarily due to asset sales completed during the year, ongoing sub-metering of customer power consumption and energy efficiencies across the portfolio.

Our GHG calculation includes scope 1 and 2 emissions generated from Goodman's Australian property and building management services, including assets owned directly by Goodman and those within our Australian managed Partnerships. Where sub-metering allows, we have excluded the GHG of our customers.

THE GOODMAN FOUNDATION

A brighter future

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

Our community support is delivered through programmes with our long-term charitable partners. In FY17, the Goodman Foundation worked with more than 80 partners, making a meaningful difference in the lives of thousands.

Our efforts ranged from delivering in-school programmes, hospital equipment and new infrastructure, to cooking for the homeless.

Goodman's employees are highly engaged in community work. They contributed more than 13,750 hours to volunteering with a charity or to fundraising activities for people in need.

Cash grants are given on a project-by-project basis to ensure they will deliver meaningful community impact. Highlights during the year include:

Australia and New Zealand

+ In-school mentoring and coaching with Raise Foundation, Rising Foundation, Stepping Stone House and The Helmsman Project
+ Donation of neonatal hospital equipment through Humpty Dumpty Foundation
+ Delivering the Insight Mental Health programme to schools for Black Dog Institute
+ Sponsoring indigenous students with Yalari
+ Funding of school readiness programmes for deaf children with The Shepherd Centre
+ Funding of books for children with the Books in Homes programme
+ Infrastructure improvements at Multiple Sclerosis Australia's facilities
+ Funding resources to set up Act for Kids in Blacktown
+ Grants to support KiwiHarvest, OzHarvest and a new Hearing House Centre in Auckland
+ Support for young people with cancer through CanTeen.

Asia:

+ Building indoor playrooms for children in Japan's Fukushima area
+ Saving sight in China's Xingtang county with The Fred Hollows Foundation
+ Helping to build an arts centre for people with disabilities at Hong Kong's Fu Hong Society.

Continental Europe and the UK:

+ Infrastructure and operational grants for SOS Children's Villages in Europe
+ Founding grant to launch UKHarvest.

The Americas

+ Adoption of 46 families for Christmas with Friends and Helpers.

In-kind contributions include the provision of expertise, office fitouts, vehicles and short and long-term warehouse and office facilities. Recipients this year included:

+ OzHarvest
+ Good360
+ Special Olympics
+ The Salvation Army
+ Greenway Tenants Group
+ Stepping Stone House
+ The Helmsman Project.

Good+Heart provides opportunities for Goodman employees to volunteer with or fundraise for a community partner. In FY17, around 80% of Goodman's employees undertook Good+Heart opportunities. These included:

+ Goodman's exclusive global sponsorship of the Cerebral Palsy Alliance's Steptember event where teams walked 10,000 steps a day during September. The event attracted 70,000 participants worldwide and raised over $6 million
+ Cancer Council Biggest Morning Tea, Sydney, Australia
+ Hong Kong's Magic Mile event raising HK$1 million for Feeding Hong Kong
+ Building gardens and renovating SOS Children's Villages in Europe and cooking for the homeless
+ Fundraising challenges including the MS Gong Ride and the Balmoral Burn in Sydney.

Good+Deeds is Goodman's workplace giving programme where we match dollar for dollar the payroll donations made to charities by employees. In FY17 we raised more than $210,000 for community causes.

Building brighter futures with Stepping Stone House

Stepping Stone House is a not-for-profit organisation providing medium and long-term accommodation and personal development for young people who are homeless or at risk of homelessness.

During the year, the Goodman Foundation supported Stepping Stone House with grants for programmes, a working bee and by donating office furniture, vehicles and laptops. “Goodman’s support and highly-engaged volunteers help our young people to break the cycle of homelessness,” says Stepping Stone House CEO, Jason Juretic.

Goodman donated cars and funded the Drive to Freedom programme which assists young people gain their provisional licence to help them to secure future apprenticeships.

A Goodman team organised a working bee at the organisation’s residential care home. They installed vegetable gardens, fragrant plants, outdoor seating and a fountain to provide a meditative space for young residents to benefit from nature’s calm.

Our annual funding of Empowerment Courses continued during the year, teaching skills such as goal setting, money management, communication and emotional intelligence.

We also funded a pioneering mentoring programme which saw two of our community partners work together. Volunteers from the Raise Foundation are working in a year-long programme to mentor young people who reside at Stepping Stone House.

Restoring sight with The Fred Hollows Foundation in China

Of China’s 1.3 billion people, an estimated 6.6 million are blind. This accounts for 20% of the world’s blind population.

Goodman has been a long-standing supporter of The Fred Hollows Foundation. “Goodman was integral to the successful launch of our Hong Kong office in 2015,” says The Fred Hollows Foundation CEO, Brian Doolan. “And now we are proud to partner with Goodman on the Xingtang project, as the Goodman Foundation shares our focus on positive social change.”

Over two years, the Xingtang project will support the training of 35 doctors, provide primary eye care training to 660 village health workers and screen 85,000 adults and children for eye health.

The project will work with local authorities and government to build a strong and sustainable primary eye health system and ensure the issue remains a priority. “With Goodman’s support, we will continue to change thousands of lives in China,” says Doolan.

At the launch in 2016, the Australian Ambassador to the People’s Republic of China, Ms Jan Adams AO PSM, hailed the partnership “a wonderful example of governments, independent non-government organisations and the private sector leading the way and collaborating to alleviate poverty.”

CORPORATE GOVERNANCE

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

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DIRECTORS' REPORT

The directors (Directors) of Goodman Limited (Company) present their Directors' report together with the consolidated financial report of the Company and the entities it controlled (Goodman or Consolidated Entity) at the end of, or during, the financial year ended 30 June 2017 and the audit report thereon.

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

PRINCIPAL ACTIVITIES

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

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

DIRECTORS

The Directors at any time during, or since the end of, the financial year were:

Directors	Appointment date
Mr Ian Ferrier, AM (Independent Chairman)	1 September 2003
Mr Gregory Goodman (Group Chief Executive Officer)	7 August 1998
Mr Philip Fan (Independent Director)	1 December 2011
Mr John Harkness (Independent Director)	23 February 2005
Mr Stephen Johns (Independent Director)	1 January 2017
Ms Anne Keating (Independent Director)	23 February 2005
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Philip Pearce (former Managing Director, Greater China)	1 January 2013 (resigned 12 July 2016)
Mr Danny Peeters (Executive Director, Corporate)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Group Chief Executive Officer and Chief Executive Officer, North America)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications and experience are set out on pages 44 to 46 in this Directors' report.

COMPANY SECRETARY

The Company Secretary at any time during, or since the end of, the financial year was:

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 46 in this Directors' report.

DIRECTORS' MEETINGS

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

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
Directors	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Mr Ian Ferrier	11	11	4	4	3	3	–	–
Mr Gregory Goodman	11	11	–	–	–	–	–	–
Mr Philip Fan	11	11	4	4	–	–	4	4
Mr John Harkness	11	11	4	4	–	–	4	4
Mr Stephen Johns[2]	5	5	2	2	–	–	–	–
Ms Anne Keating	11	11	–	–	3	3	4	4
Ms Rebecca McGrath	11	10	–	–	3	3	4	4
Mr Philip Pearce[3]	–	–	–	–	–	–	–	–
Mr Danny Peeters	10	10	–	–	–	–	–	–
Mr Phillip Pryke	11	11	4	4	3	3	–	–
Mr Anthony Rozic	10	10	–	–	–	–	–	–
Mr Jim Sloman	11	11	–	–	3	3	4	4

1. Reflects the number of meetings individuals were entitled to attend.
2. Mr Stephen Johns was appointed as a Director on 1 January 2017.
3. Mr Philip Pearce resigned as a Director on 12 July 2016.

OPERATING AND FINANCIAL REVIEW

Goodman strategy

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

Own

Goodman buys property for the long-term, which provides both ongoing relationships with customers and investment opportunities for the managed partnerships.

Develop

Goodman's tailor-made developments in each region are designed to meet the individual needs of customers and supply new investment options for investment partners.

Manage

Goodman's in-house property services teams ensure that customers' operational needs are met and asset portfolios are maintained to an exceptional standard for our customers and investment needs.

This business model is supported by five strategic "pillars":

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

OPERATING AND FINANCIAL REVIEW CONTINUED

Financial highlights

	2017	2016	% Change
Revenue and other income before fair value adjustments on investment properties ($M)	2,101.5	2,069.6	1.5%
Fair value adjustments on investment properties including share of adjustments for associates and joint ventures ($M)	446.7	874.4	(48.9%)
Revenue and other income ($M)	2,548.2	2,944.0	(13.4%)
Profit attributable to Securityholders ($M)	778.1	1,274.6	(39.0%)
Total comprehensive income attributable to Securityholders ($M)	659.5	1,278.4	(48.4%)
Operating profit ($M)	776.0	714.5	8.6%
Basic profit per security (¢)	43.5	72.0	(39.6%)
Operating profit per security (operating EPS) (¢)[1]	43.1	40.1	7.5%
Distributions in relation to the financial year ($M)	463.4	425.8	8.8%
Distribution per security in relation to the financial year (¢)	25.9	24.0	7.9%
Weighted average number of securities on issue (M)	1,787.3	1,770.3	1.0%
Total equity attributable to Securityholders ($M)	8,296.4	8,067.5	2.8%
Number of securities on issue (M)	1,789.1	1,778.3	0.6%
Net tangible assets per security ($)[2]	4.21	4.10	2.7%
Net assets per security ($)[2]	4.64	4.54	2.2%
External assets under management ($B)	30.5	29.3	4.1%
Development work in progress ($B)[3]	3.5	3.4	2.9%
Gearing (%)[4]	5.9	11.8	(50.0%)
Interest cover[5] (times)	9.5	5.5	72.7%
Liquidity ($B)	3.2	2.6	23.1%
Weighted average debt maturity (years)	3.7	4.4	(15.9%)

1. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during the year ended 30 June 2017 (FY17), 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 profit on disposal of investment properties, net property valuations gains, non-property impairment losses, net gains/losses from the fair value movements on derivative financial instruments and unrealised fair value and foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items e.g. the share based payments expense associated with Goodman's Long Term Incentive Plan (LTIP).

   The Directors consider that the Consolidated Entity's operating profit is a useful means through which to examine the underlying performance of the business, notwithstanding that operating profit is not an income measure under International Financial Reporting Standards.
2. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.
3. Development work in progress is the end value of ongoing developments across Goodman and its managed partnerships.
4. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the asset component of the fair values of USD/EUR and USD/GBP cross currency interest rate swaps equating to $169.8 million (2016: $258.2 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.
5. Interest cover is operating profit before net finance expense (operating) and income tax (operating) (EBIT) divided by the net finance expense (operating), excluding capitalised borrowing costs.

Overview

Goodman achieved an operating profit of $776.0 million for FY17, an 8.6% increase on the prior year, which equated to an operating EPS of 43.1 cents, up 7.5% on the prior year. The benefit of Goodman's globally diversified platform is demonstrated by the significant contribution from its international operations. Distributions relating to the FY17 performance increased to 25.9 cents per security, up 7.9% on the prior year.

The results for FY17 reflected a strong operating performance, primarily driven by the following factors:

+ urbanisation of cities around the world and concentration of customers in those cities;
+ the ongoing drive for supply chain efficiency and continued growth in e-commerce;
+ strong investment markets with capitalisation rates continuing to tighten; and
+ Goodman's focus on sustainable long-term growth.

The changing consumer spending habits and technology are shaping the location of warehouse and distribution assets and being closer to the end consumer is vital. Increasingly, Goodman's property portfolios are concentrated in the large, wealthy consumer dominated cities around the world, where demand is strongest and scarcity of land will see higher valuation growth and returns over the long term. This has been achieved through the Consolidated Entity's development activity, which has been focused on the gateway cities, and further disposals of assets in those locations where returns are likely to be below Goodman's long-term targets.

Property investment earnings were in line with expectations, although decreased slightly to $396.7 million from $406.6 million in the prior year due to the ongoing asset rotation, including disposals of assets undergoing change of use through urban renewal. The high quality of the Goodman portfolios resulted in strong leasing activity and positive rental reversions during FY17, with occupancy increased to 97%. Valuation growth has again occurred across the portfolios and the weighted average capitalisation rate at 30 June 2017 was 5.9% (2016: 6.4%).

In terms of the Consolidated Entity's external assets under management (AUM), the impact of asset disposals was offset by development completions and the valuation uplifts. AUM was $30.5 billion at 30 June 2017 compared to $29.3 billion at 30 June 2016 and, as a consequence, management earnings increased in FY17 to $266.6 million (FY16: $259.7 million). Furthermore, portfolio performance fee income has started to emerge, which is a further reflection of the quality of the portfolios, which have delivered strong total returns over a number of years.

At current pricing levels, development continues to be the best way to access high quality product in the target locations and remains an important part of the business. Development earnings were $482.9 million in FY17 compared to $464.1 million in the prior year and as at 30 June 2017, development work in progress was $3.5 billion across 77 projects. In order to satisfy the needs of investment partners and to allow Goodman to diversify risk and improve its capital efficiency, a larger percentage of development has commenced in the managed partnerships during FY17 relative to the prior year.

During FY17, Goodman completed several liability management initiatives in order to enhance its financial and operational flexibility and facilitate sustainable long-term growth. These included changes to Goodman's gearing policy and a par for par exchange for close to US$1.0 billion of notes in the United States 144a/Reg S market.

At 30 June 2017, Goodman's gearing was 5.9%, with cash and available facilities of $3.2 billion, which the Directors consider appropriate given Goodman's weighted average capitalisation rate of 5.9% and a development work book of $3.5 billion. As a consequence, the Consolidated Entity's credit rating has been upgraded by both S&P and Moody's to BBB+/Baa1.

Goodman's statutory profit attributable to Securityholders for FY17 was $778.1 million, a decrease of $496.5 million compared with the prior year. This decrease was primarily due to lower valuation growth (as FY16 included significant capitalisation rate compression and valuation uplifts in excess of $200 million as a result of rezoning or urban renewal) and also a fair value loss of $173.1 million associated with the modification of debt issued in the United States 144a/Reg S market. The loss associated with these notes reflected their fair value as if they had been refinanced at the prevailing interest rates on the date the modifications became effective, relative to the fixed rate of interest payable under the terms of their issue. This is the result of a number of factors such as the reduction in market interest rates and an improvement in credit market conditions, as well as the increased value of Goodman credit in the market.

During FY17, Goodman commenced a restructure of its operations in the United Kingdom, which included the disposal of Arlington Business Parks Partnership (ABPP). In addition to the write down of the investment in ABPP, the non-recurring expense associated with the restructure was $24.2 million. Going forward, Goodman will focus on logistics in the United Kingdom.

Analysis of performance

Goodman's key operating regions are Australia and New Zealand (reported on a combined basis), Asia (which consists of China, Hong Kong and Japan), Continental Europe, United Kingdom and the Americas (North America and Brazil reported on a combined basis). 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 the Consolidated Entity 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 the Consolidated Entity's share of the operating results of managed partnerships that is allocable to property investment activities. The key drivers for maintaining or growing Goodman's property investment earnings are increasing the level of AUM (subject also to Goodman's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and changes in financing arrangements.

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

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

OPERATING AND FINANCIAL REVIEW CONTINUED

The analysis of Goodman's performance and the reconciliation of the operating profit to profit attributable to Securityholders for FY17 is set out in the table below:

	Note	2017 $M	2016 $M
Analysis of operating profit			
Property investment earnings		396.7	406.6
Management earnings		266.6	259.7
Development earnings		482.9	464.1
		1,146.2	1,130.4
Employee expenses (excluding restructure costs – refer to note 2)		(171.7)	(172.6)
Administrative and other expenses		(76.5)	(79.1)
		898.0	**878.7**
Net finance expense (operating)[1]		(54.0)	(88.9)
Income tax expense (operating)[2]		(49.3)	(55.2)
		794.7	**734.6**
Less: Attributable to non-controlling interests		(18.7)	(20.1)
Operating profit		**776.0**	**714.5**
Adjustments for:			
Property valuation related movements			
– Profit on disposal of investment properties		49.0	9.5
– Net gain from fair value adjustments on investment properties	6(e)	180.9	327.8
– Share of net gains from fair value adjustments attributable to investment properties in associates and joint ventures after tax		265.8	546.6
– Impairment losses	2	(93.0)	(249.1)
– Deferred tax on fair value adjustments on investment properties		(5.1)	(20.4)
		397.6	**614.4**
Fair value adjustments and unrealised foreign currency exchange movements related to capital management			
– Fair value adjustments on derivative financial instruments	11	(45.6)	106.1
– Fair value adjustments on debt modification	11	(173.1)	–
– Share of fair value adjustments on derivative financial instruments in associates and joint ventures		(50.6)	5.6
– Unrealised foreign exchange gains/(losses)	11	25.5	(30.2)
		(243.8)	**81.5**
Other non–cash adjustments or non–recurring items			
– Straight lining of rental income		(0.3)	(0.8)
– Restructure costs	2	(24.2)	–
– Share based payments expense		(85.4)	(66.9)
– Debt modification costs	11	(32.2)	–
– Net capital losses not distributed and tax deferred adjustments		(9.6)	(68.1)
		(151.7)	**(135.8)**
Profit attributable to Securityholders		**778.1**	**1,274.6**

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

Property investment

Property investment earnings in FY17 of $396.7 million decreased by 2.4% compared to the prior year and comprised 35% of total operating earnings (2016: 36%).

The underlying property fundamentals in Goodman's global portfolio remain sound. Across the portfolios, Goodman leased 3.1 million sqm during FY17, which equates to $373.1 million of annual property income. Positive rental reversions remained steady at 2.5% and occupancy of Goodman's properties increased to 97%. Importantly, retention rates remained high at 81%, demonstrating the quality of the locations and the benefit of the in-house service capability.

The decrease in property investment operating earnings was primarily due to the asset rotation programme that has continued into FY17. Goodman's strategy to selectively rotate assets to fund the development pipeline has seen over $8.0 billion of asset sales over the last three years, concentrating the portfolio in key gateway cities. During FY17, Goodman sold $2.3 billion of assets (excluding urban renewal), primarily in Australia, New Zealand, Japan and Continental Europe, and while asset disposals will continue, the pace of sales is expected to moderate over time.

The proceeds from asset rotation have funded development activity and reduced gearing for both Goodman and its managed partnerships. The Directors consider that leverage at the lower end of the target ranges is appropriate given the current levels of development activity and Goodman's weighted average capitalisation rate of 5.9% at 30 June 2017. While a higher level of gearing would improve the short-term returns, Goodman's strategy has been to position Goodman and its managed partnerships for sustainable long-term growth.

Urban renewal

During FY17, Goodman and its managed partnerships have received $1.2 billion of settlements in respect of urban renewal sites in Sydney. At the same time, there has been a continued focus on the planning and rezoning of future precincts and Goodman has maintained its potential pipeline across the Australian portfolio of 35,000 apartments. Goodman's policy is that urban renewal assets are only derecognised once there is sufficient certainty regarding the receipt of sale proceeds, and accordingly the majority of any gains associated with the rezoning of existing properties are expected to be recognised as fair value adjustments on investment properties.

Management

Management earnings in FY17 of $266.6 million increased by 2.7% compared to the prior year and comprised 23% of total operating earnings (2016: 23%). Management activity levels remained strong, driven by transactional activities and the continued growth in external assets under management (AUM). During FY17, AUM increased by 4.1% to $30.5 billion from $29.3 billion, as development completions and valuation growth more than offset the impact of asset rotation. Proceeds from asset sales during FY17 have helped to fund the development pipeline and development completions have further enhanced the quality of the portfolios.

Additionally, the managed partnerships reported total returns in excess of 14%, a reflection of both the overall quality of the portfolios and the increased level of Goodman's overall development activity being undertaken by the managed partnerships. The consistently high returns over the past few years mean that portfolio performance fees have started to emerge and whilst these were relatively modest in FY17, these performance fees are expected to be an ongoing feature of results in future periods.

Development

In FY17, development earnings were $482.9 million, an increase of 4.1% on the prior year and comprised 42% of total operating earnings (2016: 41%). At 30 June 2017, Goodman had $3.5 billion of development work in progress, which included 77 projects in 12 countries with a forecast yield on cost of 7.8%.

Development earnings were a significant contributor in all regions, as structural and cyclical themes continued to provide positive tailwinds for Goodman, with development activity benefiting from the growth of e-commerce, changes in consumer spending and customers seeking efficiencies in their supply chain network. Goodman still sees development as the best means of accessing high quality product in almost all markets given the strength in asset pricing and capitalisation rates at 30 June 2017.

Nevertheless, with the persistence of relatively low economic growth rates and low interest rates being experienced in most of its operating regions, Goodman has maintained its prudent approach to development activity, including:

+ capital partnering of developments;
+ limiting development commencements without a leasing commitment to supply constrained, well-located, proven logistics locations, where demand for high quality industrial properties has been strengthening; and
+ targeting new developments in the large, wealthy consumer dominated cities around the world, where scarcity of land will see higher valuation growth and returns over the long term.

This has been reflected in the fact that 88% of completed developments in FY17 had pre-commitments from customers, while 76% were developed on behalf of third parties or partnerships.

Operating expenses

During FY17, the Consolidated Entity continued to review its operations for efficiencies, with headcount maintained or decreased in most regions as Goodman has focused its operations on key locations.

Net finance expense (operating)

Net finance expense (operating), which excluded derivative mark to market, unrealised foreign exchange movements and debt modification expenses, decreased to $54.0 million from $88.9 million. This was due to a combination of lower levels of net debt (interest bearing liabilities less cash) and lower interest rates, partially offset by a decrease in capitalised interest, as more development activity was undertaken directly by the managed partnerships rather than by Goodman.

Income tax expense (operating)

Income tax expense (operating) for FY17 decreased to $49.3 million from $55.2 million in the prior year. This was due to the jurisdictions in which the taxable income arose. However, a significant proportion of Goodman's earnings related to GIT and its controlled entities, which are "flow through" entities under Australia tax legislation, meaning Securityholders are taxed on their respective share of income.

OPERATING AND FINANCIAL REVIEW CONTINUED

Capital management

During FY17, Goodman maintained its prudent approach to capital management consistent with the strategic aim of providing long-term operational and financial flexibility in order to absorb changes in market volatility.

On 7 June 2017, Goodman completed a par for par exchange in respect of close to US$1.0 billion of notes issued in the United States 144A/Reg S market. The key changes to these notes, and also the majority of Goodman's other financing facilities, included tightening the leverage covenants and removing the unencumbered real property assets test. The accounting treatment of the par for par exchange resulted in a loss of A$173.1 million due to the requirement to fair value the new notes, although the coupon and tenor of the notes were unchanged.

As part of the par for par exchange, Goodman also reduced its gearing target range to 0%-25% from 25%-35%. This formalised another of Goodman's strategic aims, which has been to actively reduce leverage in recent years. At 30 June 2017, gearing was 5.9%, at the lower end of the target range.

These initiatives resulted in Goodman receiving a credit rating upgrade from both S&P (to BBB+) and Moody's (to Baa1) and stable outlook.

At 30 June 2017, Goodman had cash of $2.1 billion, available liquidity (including cash) of $3.2 billion and a weighted average debt maturity profile of 3.7 years, with debt maturities fully covered up to March 2022. As a consequence of this strong liquidity position, the distribution reinvestment plan was not in operation during the year and the final declared distribution was 13.2 cents per security. The total distributions in relation to FY17 were 25.9 cents per security, with an interim distribution of 12.7 cents per security having been paid in February 2017. Furthermore, on 12 July 2017, Goodman announced its intention to repurchase the $327.0 million hybrid securities (Goodman PLUS) at par on 1 October 2017, in accordance with the terms of issue of Goodman PLUS. At 30 June 2017, Goodman PLUS continued to be disclosed as non-controlling interests.

During FY17, Goodman's managed partnerships accessed both the debt capital markets and raised equity to provide liquidity for ongoing acquisition and development opportunities.

+ Goodman Australia Industrial Partnership issued US$600 million notes on a 10 year term in the United States 144A/Reg S market;
+ Goodman Property Trust issued NZ$100 million notes on a 7 year term to institutional and New Zealand retail investors;
+ Goodman Japan Core Partnership completed an equity raising of US$200 million; and
+ Goodman European Partnership issued €650 million Euro medium-term notes in two tranches of 6 and 10 years and completed an equity raising of €284 million.

Summary of items that reconcile operating profit to statutory profit

Property valuation related adjustments

The net gain from fair value adjustments on investment properties of $180.9 million (FY16: $327.8 million) related to those assets directly held by Goodman, principally in Australia. The decrease of $146.9 million compared to the prior year was primarily due to the reduction in gains from assets subject to urban renewal. In FY16 and FY15, the urban renewal gains were elevated as planning outcomes in the Sydney market were achieved on certain assets and the consequential increase in their fair value was recognised in those financial years. These assets were subsequently sold and since then no additional properties have been subject to material changes in their zoning status. When considering the decrease in fair value gains, it should be noted that realised gains of $49.0 million (FY16: $9.5 million) on the disposal of investment properties have occurred which reflects the premium achieved for those assets over and above their fair values. Notwithstanding the proceeds from the sales contributed to Goodman's improved capital position, given their non-recurring nature, the Directors believe that these realised gains should be viewed in conjunction with the property fair value adjustments and as such, they have been excluded from operating profit.

Goodman's share of net gains from fair value adjustments attributable to investment properties in managed partnerships occurred in most regions due to both the quality of the property portfolios and the strength of the investment markets. During FY17, weighted average capitalisation rates for Goodman's property portfolios decreased from 6.4% to 5.9%.

Impairment losses occurred in the United Kingdom as Goodman reassessed its strategy in relation to certain non-core land banks post the Brexit referendum. In addition, an impairment was recorded against the investment in ABPP, which was classified as held for sale at 30 June 2017.

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

As discussed in the capital management section, the accounting treatment of the par for par exchange in respect of the notes issued in the United States 144A/Reg S market resulted in a fair value loss of $173.1 million.

The statutory profit also included unrealised fair value losses of $96.2 million on derivative financial instruments (primarily driven by changes in future interest rate expectations) partially offset by $25.5 million of unrealised foreign exchange gains on certain interest bearing liabilities that do not qualify for net investment hedging.

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

Other non-cash adjustments and non-recurring items

The principal other non-cash adjustments or non-recurring items for FY17 related to:

+ restructure costs associated with the exit from business parks in the United Kingdom;
+ share based expense for Goodman's Long Term Incentive Plan (LTIP); and
+ debt modification costs of $32.2 million in relation to the par for par exchange of the notes issued in the United States 144A/Reg S market. This is in addition to the fair value loss of $173.1 million.

Statement of financial position

	2017 $M	2016 $M
Stabilised investment properties	1,833.8	2,552.5
Cornerstone investments in managed partnerships	4,967.4	4,950.2
Asset held for sale	203.6	–
Development holdings	2,371.9	2,238.5
Intangible assets	771.9	780.6
Cash	2,095.1	1,337.0
Other assets	467.5	528.3
Total assets	**12,711.2**	**12,387.1**
Interest bearing liabilities	2,878.3	2,865.2
Other liabilities	1,210.7	1,128.6
Total liabilities	**4,089.0**	**3,993.8**
Non-controlling interests	325.8	325.8
Net assets attributable to Securityholders	**8,296.4**	**8,067.5**

At 30 June 2017, the majority of the stabilised investment properties were in Australia and the carrying value had decreased by $718.7 million to $1,833.8 million, primarily due to the disposals of urban renewal assets in Sydney partially offset by valuation uplifts of $180.9 million.

The value of Goodman's cornerstone investments in managed partnerships increased by $17.2 million to $4,967.4 million, as the valuation uplifts across the portfolios and ongoing development completions have largely been offset by both asset rotation and the reclassification of ABPP as held for sale.

Goodman's development holdings increased during the year by $133.4 million to $2,371.9 million, primarily in Continental Europe due to ongoing developments, which have been pre-sold and will be transferred to the managed partnerships on completion and in Brazil, where development inventories will be transferred to a new managed partnership upon its launch. For the majority of the other regions, in order to satisfy the needs of investment partners and to allow Goodman to diversify risk and improve its capital efficiency, an increasing percentage of development has been undertaken directly by the managed partnerships.

At 30 June 2017, the principal intangible asset balances were in Continental Europe and the United Kingdom. The movement during the year related to changes in foreign currency exchange rates and there have been no impairments or reversals of impairments.

Interest bearing liabilities net of cash, at 30 June 2017 were $783.2 million compared to $1,528.2 million at 30 June 2016. The decrease was due to the net cash inflow of $760.1 million during FY17 which included proceeds of $1,121.5 million associated with Goodman's asset rotation programme (including urban renewal).

Movements in other assets and liabilities mainly reflected the fair value changes in Goodman's derivative financial instruments.

Cash flow

	2017 $M	2016 $M
Operating cash flows	586.4	830.1
Investing cash flows	730.0	160.0
Financing cash flows	(556.3)	(399.6)
Net increase in cash held	760.1	590.5
Cash and cash equivalents at the beginning of the year	1,337.0	746.5
Effect of exchange rate fluctuations on cash held	(2.0)	–
Cash and cash equivalents at the end of the year	**2,095.1**	**1,337.0**

Operating cash flows decreased relative to the prior year, primarily due to the timing of development expenditure in Continental Europe, where certain pre-sold developments are being funded by Goodman through to completion. The timing of larger development completions relative to the reporting date generally has a significant impact on overall operating cash flows.

Investing cash flows primarily related to proceeds from the disposal of investment properties and the net investments in the Consolidated Entity's managed partnerships. During FY17, Goodman received proceeds of $1,121.5 million from asset disposals and invested $260.7 million in its managed partnerships, principally in Japan, Continental Europe and North America to fund development activities. In addition, there were cash outflows of $113.7 million in respect of capital expenditure on investment properties.

Financing cash flows include the drawdowns and repayments associated with Goodman's interest bearing liabilities. The principal financing cash outflows were the distributions paid to Securityholders and coupons paid to holders of Goodman PLUS.

Outlook

The focused and consistent execution of Goodman's business strategy has created a strong, globally diversified and well-integrated platform that will sustain earnings growth for future periods and create long-term value for Securityholders, customers and investment partners.

Goodman continues to see strong ongoing demand for prime industrial space across the portfolio and will maintain its disciplined strategy of investing in the large, wealthy consumer dominated cities around the world, where demand is strongest and scarcity of land will see higher valuation growth and returns over the long term. Asset rotation is likely to be an ongoing feature of the business; however, it is expected to moderate over time. The quality and location of the portfolios are expected to support future growth in gross property income in the managed partnerships.

Development will continue to be driven by e-commerce and customers seeking high quality, modern facilities to achieve cost efficiencies. A strong development business coupled with the demand from investment partners seeking high quality, well-located industrial assets will support the growth in assets under management. This in turn will increase management income and the consistently strong returns over the past few years are expected to give rise to portfolio performance fee income as partnerships approach renewal dates.

In light of these contributions from Goodman's development and management activities, the Directors are forecasting an operating EPS of 45.7 cents for FY18, up 6% on FY17 and will continue to target an overall pay-out ratio of 60%.

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

OPERATING AND FINANCIAL REVIEW CONTINUED

Risks

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

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

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

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

	Risk area	Mitigation
Capital management	Availability of capital from investors and financial institutions supports the sustainability of the business	+ Board approved Financial Risk Management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Board + Diversification of debt funding sources and maturities + Diversification of investment partners
Economic environment	Uncertainty regarding global growth and volatility of global financial markets creates a challenging operating environment	+ Global diversification of Goodman's property portfolios + Focus on core property portfolios in key gateway locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks
Governance, regulation and compliance	Changes to the regulatory environments (including tax) impact Goodman's business	+ Embedded compliance culture within Goodman focused on best practice + Dedicated compliance officers + Review of transactions by the Group Investment Committee
Development	Development risks may arise from location, site complexity, infrastructure, contamination, climate and other environmental factors, along with general contractor capability	+ Review of development projects by the Group Investment Committee + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short term obsolescence + Internal audit reviews with reporting to the Risk & Compliance Committee + Insurance programme, both Goodman and general contractor + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Board oversight
Asset management and leasing	Leasing risk exposures can reduce returns from Goodman's portfolios	+ Diversification of customer base and lease expiry + Review of significant leasing transactions and development projects by the Group Investment Committee
Investment management	Relationships with capital partners underpin Goodman's management activities	+ Standardised governance structures for managed partnerships + Independent governance structures for managed partnerships
People	The executive management team supports the sustainability of the business	+ Succession planning for senior executives + Competitive remuneration structures + Performance management and review
Information and data security	Technology is a major component in operations and supports sustainability and growth	+ Ongoing monitoring and reporting of security risks to the IT Security Council + Disaster recovery and business continuity planning and testing

DIVIDENDS AND DISTRIBUTIONS

Goodman Limited did not declare any dividends during the financial year (2016: $nil).

During FY17, GIT declared and accrued distributions of 25.9 cents per security (2016: 23.0 cents per security), amounting to $463.4 million (2016: $408.0 million).

During FY17, GLHK declared and paid a final dividend of 1.0 cent per security amounting to $17.8 million (2016: $nil). This dividend was paid from the FY16 profit after tax and there is no current intention for GLHK to pay a dividend in respect of the FY17 result.

Distributions declared during the current financial year by Goodman PLUS Trust, a controlled entity of GIT, to holders of Goodman PLUS (non-controlling interests) were $18.7 million (2016: $20.1 million).

SECURITIES ISSUED ON EXERCISE OF PERFORMANCE RIGHTS

During the financial year, the Consolidated Entity issued 10,802,513 securities as a result of the vesting of performance rights. The amount paid by the employees on exercise of these securities was $nil.

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

UNISSUED SECURITIES UNDER PERFORMANCE RIGHTS

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

Expiry date	Exercise price $	Number of performance rights[1]
Sep 2021	–	20,375,200
Sep 2020	–	17,571,239
Sep 2019	–	13,482,643
Sep 2018	–	7,479,126
Sep 2017	–	3,641,244

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited. Excludes 8,720,948 of performance rights where the intention is to cash settle.

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

Dear Securityholder,

The 2017 financial year result provided competitive returns whilst further strengthening Goodman's financial position and quality of its assets. Goodman's total Securityholder return (TSR) for the last year was 15%, over the last three years was 73% and over the last five years was 159%. Over the five years, operating EPS grew from 30.5cps to 43.1cps whilst gearing has fallen from 23.9% to 5.9%.

The Board and management team have been focused on creating a corporate culture and decision making process that is sustainable and centred outcomes consistent with the long-term nature of property assets and cycles. A key driver of this focus has been the Board's remuneration policies.

+ Goodman continuously balances objectives between the short, medium and long term, between different geographies for investments and between different divisions.
+ A corollary of this is that the executives and employees realise that there is a collective responsibility, collaboration and acceptance of objectives. The remuneration system seeks to reinforce the collective nature of these capital, regional and divisional trade-offs.
+ It is critical that the remuneration policy supports these objectives by emphasising long-term returns and group wide targets. As a result, there is weighting towards long-term incentives (LTI) away from fixed base remuneration and bonuses (STI).
+ The quantum of awards needs to balance remuneration for a motivated, skilled and committed workforce with the expense to Goodman. Securityholders' interests are protected in that STI is earned only after the forecast operating EPS growth target (currently 6%) is met. Similarly, LTI only vests after meeting operating EPS or relative TSR hurdles and is not simply time based.

We believe that the Group Chief Executive Officer has lead Goodman exceptionally well and that the strong performance in FY17 has further improved Goodman's position. From a cash perspective, in the last year he earned $1.4 million in fixed base remuneration and an additional $7.0 million when his LTI arising from grants in previous years vested, benefitting like all Securityholders from the operating and security price performance over the last five years.

We have received support for the Board's remuneration policies and strategy and also listened to investor feedback. The remuneration for the Group Chief Executive Officer and other executives is increasingly weighted to at-risk, long-term remuneration. There are constraints on at-risk remuneration with STI capped to 150% of fixed remuneration (down from 200%) while for LTI there is cap to 5% of outstanding equity.

With the Group Chief Executive Officer's commitment to long-term performance, base pay has been kept flat and he has again agreed to not participate in the short-term bonus arrangements. It is proposed that he receive an LTI award of 1.6 million performance rights (down from 2.4 million last year), resulting in an effective 24% decrease in remuneration from 2016. The LTI award will be subject to Securityholder approval at the Annual General Meeting. As a result, nearly 90% of his remuneration will be at risk, deferred, and subject to Goodman's future performance. Similar trends in remuneration have been applied to the other executives with an average decrease in remuneration of 10%.

The remuneration policy is absolutely focused on creating a business that provides competitive and sustainable returns over the long term.

Yours sincerely,

Ian Ferrier
Chairman

Philip Pryke
Chairman, Remuneration & Nomination Committee

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

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

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

The report is set out as follows:

1. Executive summary
2. Business strategy and link to remuneration strategy
3. Objective of Goodman's remuneration strategy
4. Design of remuneration packages
5. Relationship between performance and remuneration outcomes
6. Executives' remuneration (statutory analysis)
7. Non-Executive Directors' remuneration
8. Other remuneration disclosures.

1. EXECUTIVE SUMMARY

Organisational objectives

Goodman is a global property enterprise with a strongly integrated business. This requires the balancing of objectives in the context of changes in local and global market conditions with available opportunities in order to achieve competitive returns on a sustainable basis through:

+ the balancing of risk and return (e.g. conducting development activity directly on Goodman's balance sheet or within partnerships on a fee for service basis);
+ the management of short-term and long-term outcomes (e.g. lower financial leverage and growth compared with improved portfolio quality and better long-term returns); and
+ the allocation of resources between geographic regions and business activity (property investment, management and development) to deliver appropriate returns consistently (e.g. the re-allocation of capital from the United Kingdom to North America for the establishment of a full service capability in that region to facilitate sustainable long-term growth).

The Board has designed the remuneration strategy to align the organisational objectives with the outcomes for employees. The strategy aims to take account of appropriate rewards for Securityholders and employees in the context of competitive labour markets. This relates directly to the executives but to varying degrees, the principles extend to all levels of the organisation.

Remuneration design

Employees are remunerated with both fixed and variable components (short-term incentives (STI) and long-term incentives (LTI)). The various components of remuneration play a separate part in attracting, rewarding and aligning appropriately skilled human resources. Key design factors are also:

+ a reduced emphasis on performance criteria and/or short-term objectives for individuals in favour of group-wide performance criteria, which culminate in operating earnings per security (EPS) and relative total securityholder return (RTSR) measures; and
+ remuneration which requires cultural alignment to be demonstrated as a minimum condition for any award to be made for all employees.

Alignment with the objectives of Securityholders is a critical aspect of the remuneration design process. This is achieved through the following:

+ STI, which are cash bonus awards that reward performance against objectives and are entirely dependent upon achieving the desired levels of operating EPS. STI awards for executives are subject to deferral, with 50% paid on finalisation of Goodman's annual results and 50% paid 12 months later;
+ LTI, which are performance rights under the Goodman Long Term Incentive Plan (LTIP). LTI rewards long-term sustainable outcomes and are subject to operating EPS and RTSR performance hurdles, which are tested over a three year period, with vesting then occurring in three equal tranches at the end of the third, fourth and fifth years. LTI encourage long-term commercial decisions that are aligned with Securityholders' best interests for the longer term and accordingly, in terms of the relative components of incentive based remuneration, there is a greater weighting towards LTI. Employees at all levels and in all geographical locations participate in the LTIP, which is uncommon within ASX-listed companies; and
+ the setting of appropriate and sustainable targets that are challenging and competitive and are embedded within the strategic plans and the remuneration hurdles.

In respect of attracting and retaining skilled employees, Goodman's remuneration philosophy is based on a "total remuneration" concept. Base remuneration levels are aimed generally at median or below median levels; therefore, the performance based incentive components are critical to lift overall reward to desired levels. This approach allows Goodman to better withstand down-cycles without reactive contraction of employees, which can have the consequence of displacing highly specialised employees. As a result of retaining these employees, Goodman will be better placed to quickly react when the market recovers.

Fixed base remuneration is balanced by the performance based incentive component that encourage desired behavioural outcomes for long-term decision making that also have the benefit of providing an incentive for executives to remain with Goodman.

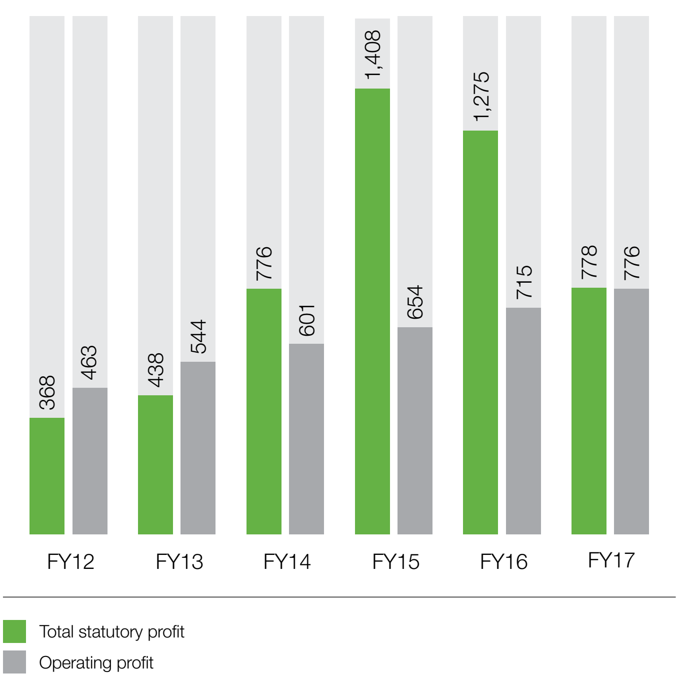
1. EXECUTIVE SUMMARY CONTINUED

Quantum considerations

In the determination of remuneration awards, the Board considers the potential outcomes in a balanced manner such that the final outcomes are appropriate. As a result, the better Goodman performs, the greater the value of remuneration in a manner that does not have a disproportionately adverse effect on Securityholder returns. The following principles are applied in this determination:

+ remuneration should balance affordability for Goodman and appropriate Securityholder returns with the competitive labour market globally;
+ base remuneration should remain stable and relatively low to control costs and as a consequence, levels of at-risk remuneration are higher at Goodman than many other domestic and international real estate companies;
+ the target operating EPS must first be achieved before STI is awarded and for executives are capped at 150% of base remuneration (reduced from 200% of base remuneration in FY16);
+ LTI awards are limited, as the total amount allocated cannot exceed 5% of issued capital. Annual vesting represents <1% of issued capital, assuming that all hurdles are met and all employees remain employed;
+ employee allocations are scaled from the Group Chief Executive Officer so that they reflect a degree of consistency via this top-down approach; and
+ the main performance hurdle (operating EPS) is absolute which reinforces the requirement to exceed targets, enhancing alignment with Securityholders.

Statutory and operating profit graph ($m)

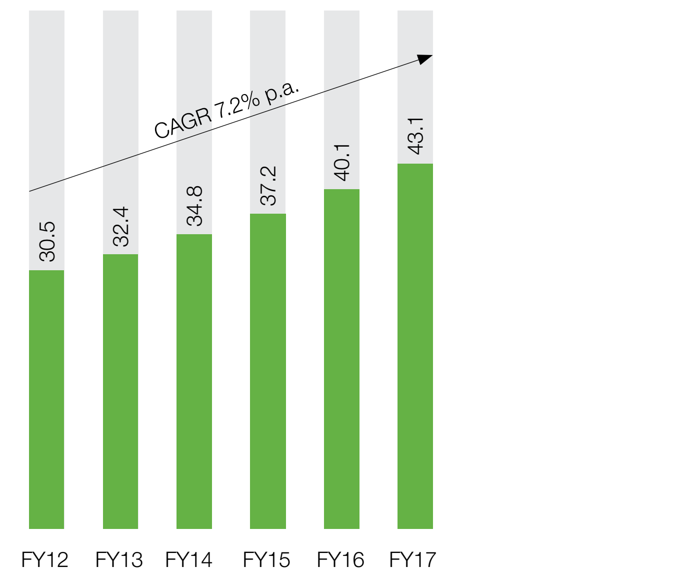


Remuneration outcomes and linkages to performance

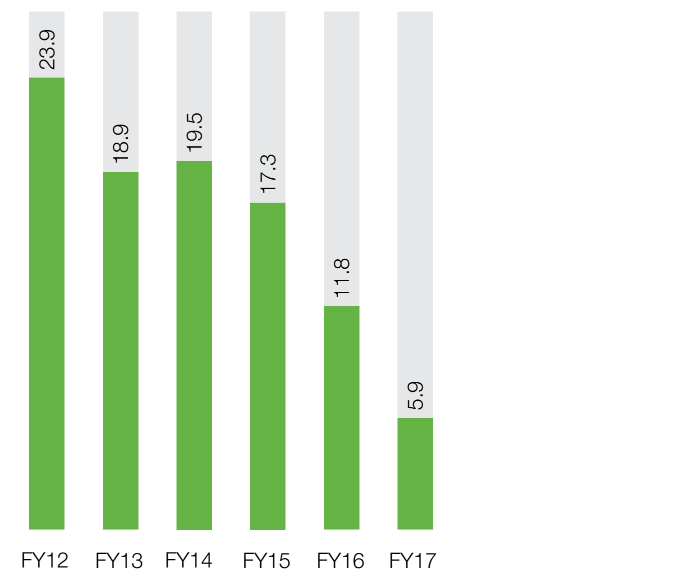
The Board considers a number of financial metrics in addition to operating EPS and RTSR when determining the awards and hurdles. These may change at various points in the property cycle given the focus of the organisation, but are intrinsic to the long-term sustainability of Goodman and include items measured overall and within regions and for various activities. These include (but are not limited to) return on assets, business margins, net tangible asset growth and financial leverage that are used to derive appropriate operating EPS hurdles. As a result, the hurdles for performance have been set at appropriate, competitive and challenging levels. They have been achieved despite a significant reduction in risk.

STI and LTI structures have strongly aligned executives with Securityholder outcomes. Over the past few years, results have exceeded targets on an absolute basis but even more so on a risk-adjusted basis (taking into account factors such as lower leverage) which has culminated in strong returns to Securityholders and a higher credit rating for Goodman.

Operating EPS (¢)



Gearing (%)



1. EXECUTIVE SUMMARY CONTINUED

Total securityholder return (to 30 June 2017)

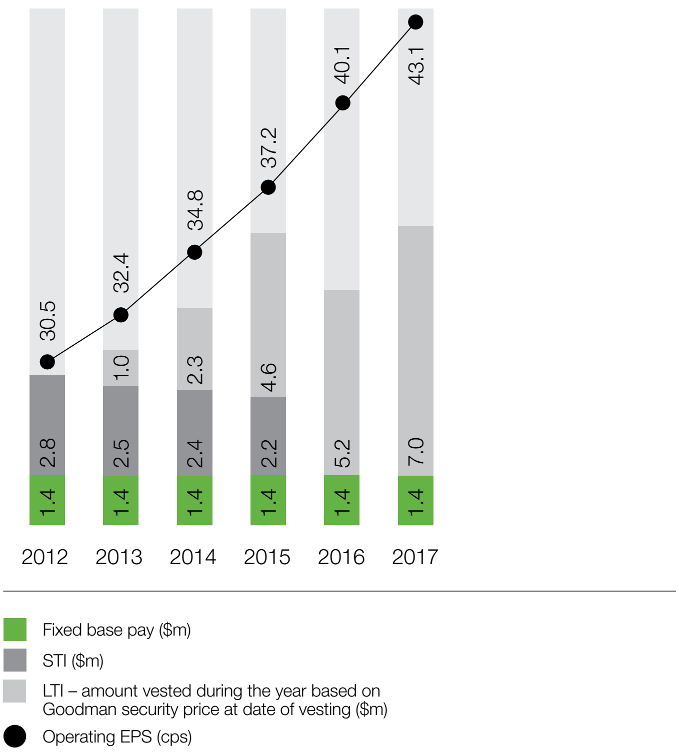
The table below shows the total securityholder returns (sourced from FactSet) for Goodman and certain domestic and overseas entities that are considered to be part of the comparator group.

Entity	1 year	3 year	5 year
Goodman	15%	73%	159%
The GPT Group	(7%)	44%	90%
Stockland	(2%)	33%	91%
Mirvac Group	11%	38%	115%
Scentre Group[1]	(14%)	43%	n/a
Westfield Corporation	(22%)	22%	66%
Prologis, Inc. (United States of America)	24%	59%	108%
Global Logistics Properties (Singapore)	63%	14%	51%

1. Scentre Group listed on the ASX at 30 June 2014.

The outcome of the remuneration and its link to performance can best be demonstrated by reference to the Group Chief Executive Officer in the form of the cash and vested LTI outcomes that have eventuated in recent years. In periods of lower performance, the remuneration outcome has been lower given the absence of LTI vesting. As Securityholder returns have increased, the rewards have also increased. Consistent with the spirit of alignment and long-term focus, the Group Chief Executive Officer has not participated in any STI award for the past two years, but instead has had the majority of his remuneration in the form of LTI. This will result in higher rewards in the future but only if Securityholders experience higher returns.

Group Chief Executive Officer cash and vested LTI remuneration outcomes



Response to 2016 AGM and investor feedback

In acknowledgement of the outcome of the remuneration report vote at the last Annual General Meeting, the Board actively engaged with major Securityholders and other stakeholders. In general, investors support Goodman's overall remuneration strategy, however, in response to concerns some modifications have been made.

+ reduced quantum of STI and LTI;
+ determined that performance rights awarded under the LTIP to the Executive Directors will be subject to Securityholder approval at the 2017 Annual General Meeting, irrespective of whether they are to be satisfied from a new issue of equity; and
+ improved disclosure in relation to material remuneration related issues such as how the number of rights awarded to executives under the LTIP is derived.

The Board believes that the structure and design of Goodman's remuneration elements are appropriate for the type of business that exists and that wholesale changes to Goodman's remuneration strategy are not in the best interests of Securityholders.

Having taken into account the strong performance in FY17 and investor feedback, the Board has determined the following in respect of the FY17 remuneration for the Group Chief Executive Officer and the other executives:

+ no change to base remuneration;
+ reduced limit on STI awards to a maximum of 150% of fixed remuneration from the previous level of 200%;
  – for the Group Chief Executive Officer no STI award (as for FY16);
  – for other executives, STI awards have been reduced by 25% on average compared to FY16. The 50% deferral of STI has been maintained;
+ reduction in proposed LTI award:
  – for the Group Chief Executive Officer 1.6 million performance rights, a 33% reduction in the number of performance rights compared to FY16. This represents a value of $10.7 million, a 26% reduction on FY16, based on a nominal value of $6.67 per performance right (FY16: nominal value of $6.00 per right);
  – for other executives, there is a reduction in the number of performance rights of 16% on average. This represents a decrease in the nominal value of 6% on average compared to FY16;
+ as a result, nearly 90% of the Group Chief Executive Officer remuneration is at risk, dependent on the future performance of Goodman and aligning his outcomes with the returns for Securityholders;
+ on the basis outlined above, the total remuneration package for the Group Chief Executive Officer in relation to his performance during FY17 is reduced by 24% to $12.1 million (FY16: $15.8 million), using the nominal value of performance rights and assuming all rights vest. Note that this will differ from the accounting value of the performance rights, which will take into account elements of risk and time value; and
+ similarly, the total remuneration package for the other executives in relation to performance during FY17 is reduced by 10% compared to FY16, again using the nominal value of the performance rights.

2. BUSINESS STRATEGY AND LINK TO REMUNERATION STRATEGY

Goodman aims to be a leader in the markets in which it chooses to operate, to deliver appropriate, yet competitive, returns for Securityholders on a sustainable basis. In order to achieve this, specific expertise and appropriate resourcing are required to provide a consistently high standard of service to customers and investment partners.

Goodman aims to control certain parts of the asset lifecycle where value can be created and risks managed appropriately. This is achieved by executing the "own+develop+manage" integrated business model to a high standard consistently over the long term. Within this, flexibility exists to allocate resources to exploit different parts of the value chain at different points in the cycle. At some stages, the Consolidated Entity will be a buyer of stabilised assets and at other times, a developer. Assets may be sold in some cases to fund further development activity and to manage Goodman's capital position.

The Board recognises that these strategies often require a long-term investment and payoff period. In many cases, there is a need to look beyond the short term and manage the interaction between the three elements of the business model to make them work most effectively. This often requires decisions to be made at the expense of one segment but which benefit the whole or sacrifice short-term gain for long-term returns. The sum of all elements of the integrated business model and the decisions made on a daily basis should revolve around the return expectations of investors, commensurate with appropriate risk levels and the sustainability of the business.

Despite these constraints, Goodman aims to perform and deliver consistently to market expectations year on year. The executives are tasked with balancing the objectives and to execute on strategy. This can only be achieved with the appropriate collaboration from all parts of the business and each of the members of the team acting in unison. This necessarily results in choices being required from a capital and resource allocation point of view that may limit opportunities in the near term for some parts of the business so that opportunities are created for others. It is critical that Goodman's remuneration policy recognises these outcomes and does not work against them.

Remuneration is designed in such a way that rewards are spread across employees based on the overall success of the organisation. For the Group Chief Executive Officer and other executives, collective responsibility and reward are highly valued and encouraged. The Board considers that the process of determining remuneration outcomes for executives by assessment of their performance against individual objectives, without reference to the requirement for the collective effort, will erode the collaborative approach. Ultimately, this will compromise the ability of the organisation to manage the competing interests that can arise and to balance short-term and long-term results. This is particularly relevant if STI awards are linked to individual transactions as opposed to the performance of the Consolidated Entity overall or if the balance of incentive based remuneration is weighted towards STI rather than LTI.

This collaborative philosophy and the ability to execute on the strategies have resonated well with key customers as evidenced by Goodman's strong relationships with global organisations across a range of industries. Several large sovereign wealth and pension funds have recognised the value of Goodman's business model and through their investment, have also created a valuable management platform that has global exposure and takes a long-term view despite fluctuations in property cycles. This enables Goodman to generate superior returns and to diversify risks for Securityholders.

Examples of the allocation decisions

Goodman's integrated business model of "own+develop+manage" means that management is constantly working to determine the right balance or focus of each area in order to create sustainable long-term returns. This sometimes results in trade-offs between short-term and long-term returns for Goodman.

An illustration of this is the balance between earnings derived from developments and net property income from stabilised assets under management.

Over the past few years, Goodman's strategy has been to reposition the portfolio. To that end, Goodman had identified development as the best means by which to improve and grow the investment portfolio at this point of the property cycle. At the same time, Goodman has been selling non-core assets and using these proceeds to fund new developments and significantly reduce gearing. The sale of assets has resulted in lower net property income in the short term due to asset sales, but is expected to produce superior longer-term performance from an improved portfolio.

Another example of the balance between short-term and long-term returns relates to gearing. It is understood that earnings growth can be constrained by deleveraging in the short term, however a major advantage of lower gearing is that it provides protection against potential future market deterioration. It also provides an opportunity to buy assets, should the cycle change such that it becomes more cost effective to purchase rather than develop assets.

Goodman's decision to bring investment partners into the development process, rather than undertaking developments directly, is another way in which short-term and long-term results are balanced. Developing within the partnerships has dual benefits of expanding the activity levels while also helping to lower financial leverage. It has also resulted in the Consolidated Entity taking a smaller portion of the development profit in the short term, however the longer-term outcomes include lower risk for Goodman, enhanced returns for the investment partners, deeper relationships with partners and additional performance fee income.

As further evidence of the benefits of the approach to long-term performance, several investments made over the last two decades have now matured to the point where they have been rezoned for higher and better use. These properties have then been sold to make way for residential developments (urban renewal), enabling the Consolidated Entity to realise value and further strengthen its financial position. Investments are being made now that have the ability to deliver similar benefits over the next few decades, however these properties are not necessarily delivering the highest initial yields or returns over the short term.

2. BUSINESS STRATEGY AND LINK TO REMUNERATION STRATEGY CONTINUED

The implementation of the strategy of Goodman over the past few years has resulted in a number of improvements in the business and its ability to create value for Securityholders for the long term. For instance, Goodman's return on assets has improved overall due to the improvement in property performance driven by the higher rental growth and greater value increases. This is in part due to the quality of the assets and locations following the asset rotation programme. The sales have also enabled Goodman to become more efficient and this is driving higher margins in its services business. In addition, the amount of activity in partnerships and the returns from those partnerships have driven growth in fee income, which improves return on assets and margins. The improvements have been such that despite the decrease in financial leverage, Goodman's return on contributed equity has also improved. The Board's aim is to continue to improve on this whilst ever the current climate prevails. Over time though, strategies will change at different points of the cycle. This may have short-term implications but drive more robust and sustainable long-term outcomes.

The remuneration strategy should therefore reinforce behaviours among employees which lead to sustained business success. The Board considers that the current remuneration components encourage employees to take a long-term view, make considered decisions about whether more opportunistic or recurring income activities are appropriate for the specific business cycle that may exist and to execute these decisions in a collaborative manner. Consistent earnings growth through the various investment cycles remains paramount and is aligned with the expectations of Securityholders.

These sentiments were reflected in a letter to Goodman from one of our largest Securityholders. It asked chief executive officers of all the companies they invest in to communicate their "strategic frameworks for long-term value creation". They say that as a stock holder, they like to "engage to understand a company's priorities for investing for long-term growth". This long-term focus is consistent with the strategy and operation of Goodman.

3. OBJECTIVE OF GOODMAN'S REMUNERATION STRATEGY

The Consolidated Entity's remuneration and business strategies are aligned and in combination support the achievement of organisational objectives. The principal objective of the remuneration strategy is to create the strongest possible alignment of the interests of employees with those of Securityholders. In support of this, the strategy aims to:

+ underpin sustainability of performance over the longer term as the remuneration strategy should encourage employees to display behaviours and make decisions that are in the best long-term interests of Goodman;
+ play a critical role in shaping Goodman's corporate culture reflected in the management style, which lends itself to a collegiate approach rather than motivating individual achievement which could be counterproductive to business-wide objectives;
+ accommodate the appropriately prudent risk management practices that Goodman has developed over the years; and
+ maintain costs at stable levels, whilst providing variable rewards for outcomes through STI and LTI (with a bias to LTI). Within this, the level of reward must have regard to what Goodman can afford to pay and also consider the labour markets in which it competes for resources.

The strategy also aims to:

+ incentivise employees who perform at a consistently high level to remain employed with Goodman over the longer term; and
+ provide all employees at all levels with an equity scheme in the form of LTI awards, which facilitates direct ownership in Goodman so that employees regard themselves as business owners and act accordingly.

Behavioural expectations

In order to achieve its objectives, Goodman encourages a collegiate approach and allows employees to benefit from the successes of Goodman, commensurate with the rewards to Securityholders. In support of the collegiate approach all employees are expected to demonstrate behaviours that are consistent with Goodman's values. In regard to remuneration outcomes, compliance with these behavioural standards is considered to be a minimum threshold matter, rather than one that may be measured on a graduated scale. Goodman's values are:

+ Customer + Focus;
+ Innovative + Dynamic;
+ Open + Fair;
+ Performance + Drive; and
+ Team + Respect.

4. DESIGN OF REMUNERATION PACKAGES

Remuneration components

The Consolidated Entity's remuneration utilises both fixed and variable remuneration components. Fixed base remuneration is in the form of market referenced salary and employee benefits. Variable remuneration is provided to employees in the form of cash bonus awards (STI) and performance rights which vest into Goodman securities over time, dependent upon Goodman's performance (LTI).

Variable compensation is emphasised and focused on sustainable outcomes

The Board considers that variable compensation should comprise a significant proportion of total remuneration in order to encourage and reward outperformance in a manner that is aligned with Securityholder interest. Levels of variable remuneration may have volatility as thresholds for STI awards and LTI performance hurdles are set with low tolerance for underperformance, so that alignment with outcomes to Securityholders exists. This means that in some years, it may be higher than peers and in other years, lower. This was particularly evident in the last downturn when no STI was awarded and no LTI vested on the basis that the Consolidated Entity's financial targets were not met.

It is also desirable to mitigate the potential cyclical impacts on operating costs. It is for this reason that base remuneration is maintained at median levels and variable elements are used to reward performance. This also acknowledges that real estate is cyclical and through this approach, costs can be reduced when conditions are not favourable and Securityholder returns are under pressure.

The Board believes that STI recognises past achievements and that LTI encourages continuation of such achievements, along with strengthening engagement and alignment.

As a result, there is weighting towards incentive based remuneration, with an emphasis on LTI rather than STI in proportions deemed appropriate at the time of assessment.

Further discussion on the factors determining the quantum of awards is contained in the following sections.

Current and potential future contribution of employees is recognised – less emphasis on individual transactions

The Consolidated Entity has a successful team and all employees take their share of the responsibility and contribute to this success and consequently, share in the rewards. The employees can see that the decisions made in all parts of the business can benefit them, even if they are not directly involved. This becomes especially important when capital allocation decisions are made that divert capital away from a particular part of the operation and into another. This facilitates better long-term decisions and ultimately better performance for Securityholders.

Despite these short-term choices, Goodman is committed to all parts of the business and platform over the long term and as such, wishes to maintain the skills and resources to enable it to remain at the forefront of the markets it operates in. Losing these skills and rehiring and retraining are inefficient and may result in cultural outcomes that contradict Goodman's values. It also inhibits the ability to identify and execute on the full range of potential opportunities when they present themselves and the timing is right.

As a result, the long-term potential of each employee is assessed when determining awards each year. Certain employees will be more proportionately exposed to variable pay as they are assessed to be more able to influence outcomes and manage risks than others.

Focus on alignment and long-term decision making to meet appropriate goals

The payment of STI is subject to the attainment of the relevant financial goals first and foremost. This means that the operating EPS targets must be met before STI are awarded. The Board believes that employees should be rewarded for performance in line with expectations but such rewards are subordinated to the returns for Securityholders. The Board will also consider the circumstances of the business, market conditions and the way in which results were achieved. This creates direct alignment and is consistent with the need to meet or exceed the targets that have been set. The operating EPS targets are benchmarked against the market and take into account the prevailing circumstances and the desired strategic outcomes of Goodman.

The structure of the LTIP is such that the attainment of the future targets is a necessary condition for them to vest. The achievement of the financial results should be made in a manner that is consistent with the risk appetite communicated to the market, as failure to do so would impact total Securityholder return. Even beyond the testing date, awards progressively vest so that the ongoing security price performance is a factor that influences the final remuneration outcome of employees. If the financial results are achieved by excessive risk or short-term drivers, this may adversely affect the employees' LTI outcomes at the time of vesting. This reinforces the benefit of focusing rewards on the LTI.

4. DESIGN OF REMUNERATION PACKAGES CONTINUED

Focus on alignment and long-term decision making to meet appropriate goals (cont)

The focus on RTSR and the fact that LTI are awarded in deferred equity, create a strong link between the appropriateness of the operating EPS target and its relativity to the broader market and investor expectations. More specifically, if the hurdles are set too low, the RTSR and the security price outcome will be adversely impacted. The potential value of LTI awards at vesting should exceed STI value in order to place greater emphasis on the long-term sustainability of performance and the manner in which it is achieved.

Description of components of remuneration

Fixed remuneration	STI	LTI
+ Base remuneration package – includes cash, non-cash benefits and employer contributions to superannuation or pension funds. + Base remuneration continues to be at or below median against selected comparator group. + Reviewed annually but a key objective is to not escalate unless there exist compelling reasons. Aim is to exercise control over costs to help counteract cyclical gyrations.	+ Discretionary, at-risk cash bonus awarded to executives, only when Goodman achieves target operating EPS. + Rewards specific achievement against financial and non-financial performance objectives within a defined period. + STI awards to executives will not exceed 150% of base remuneration. + Executives' STI are subject to deferral so that 50% is paid on finalisation of Goodman's annual report and 50% is paid 12 months later. The deferred amount is subject to forfeiture in the event of serious or wilful misconduct.	+ Discretionary, at-risk equity plan to align executives with the interests of Securityholders. + Vesting determined by cumulative performance against operating EPS and RTSR. + Assessed over a three year performance period. + No value derived unless cumulative performance hurdles are met or exceeded. + Vesting occurs in equal tranches following the end of years three, four and five, provided that they remain employees.

Short-term incentives

STI in the form of cash bonus payments are made to employees to recognise performance during the financial year and are awarded at the end of the financial year if necessary conditions are met.

The availability of an STI pool for employees is entirely dependent upon the Consolidated Entity's performance against an operating EPS target. Where the financial performance of Goodman falls short of this target, no STI pool will be created, as maintaining returns to Securityholders remains the priority. Whilst this has been viewed as a potential risk in that it may drive short-term behaviour which is inconsistent with the long-term interests of Securityholders, checks and balances are in place to protect against this which include:

+ deferral of 50% of STI payments for executives;
+ a greater weighting to LTI (relative to STI), as LTI would be adversely impacted by poor short-term decisions; and

Group Investment Committee reviews limits on speculative development, financial risk management controls and other compliance and risk management policies and procedures.

Once the target operating EPS measure has been met, multiple factors are considered in the process to calculate the overall size of the Consolidated Entity's STI pool that is available for all employees. One of these factors is how the proposed pool relates to the aggregate of the individual "target" STI that applies to each employee. "Target" is the amount that an employee who demonstrated expected performance and behaviour consistent with Goodman's values could expect to receive. This is determined by reference to their long-term value to Goodman as assessed by the Board, the Group Chief Executive Officer or their relevant manager. An employee's target STI is also compared to market-based remuneration data and their manager's own assessment of what an appropriate level of incentive compensation may be. Deviations from the target award are determined based on circumstances at the time with reference to the overall package of remuneration, the profit for Securityholders over and above the expected performance of Goodman and the long-term interests of Goodman with respect to the reward and retention objectives. Individuals are assessed annually.

Long-term incentives

The LTIP was last approved by Securityholders in 2015. There have been no alterations or modifications to prior year awards under the LTIP.

It is critical to note that all employees globally are eligible for awards under the LTIP (not just executives) and that as vesting of rights remains subject to performance against hurdles, nil vesting could occur if the hurdles are not met.

LTI are awarded in the form of performance rights, which are mainly equity settled but in some cases cash settled (depending upon location). Vesting is dependent upon performance assessed against two hurdles over a three year testing period. The performance rights then vest in three equal instalments following the end of years three, four and five so that the total award is spread over five years. Employees must remain employed at the time of vesting to receive securities and where an employee resigns, forfeiture of all unvested rights will occur, unless employment ends in special circumstances (redundancy, retirement, death or total and permanent disability). As with the STI awards, individual LTI awards are made after consideration of market benchmarks and the potential value of an employee as assessed by the Board, the Group Chief Executive Officer or their relevant manager. Individuals are assessed annually.

4. DESIGN OF REMUNERATION PACKAGES CONTINUED

Performance hurdles for the LTIP

The Board believes that the commercial decisions Goodman makes are reflected in two key indicators which have the most direct and unambiguous relationship with Securityholder expectations and are therefore used for the performance hurdles under the LTIP. These are:

+ operating earnings per security (weighted at 75%); and
+ relative total securityholder return (weighted at 25%).

These two measures are considered to be fundamental to Goodman delivering to the expectations of Securityholders. In this way, employee remuneration outcomes are inextricably linked to the performance of the Consolidated Entity over time.

The Board considers that the current weightings of the hurdles are appropriate on the basis that a correlation between achievement of operating EPS growth and RTSR exists. In the instance where Goodman failed to meet the cumulative operating EPS target over the testing period, it is likely that downward pressure would be exerted on the security price impacting total Securityholder returns. It would also directly impact the value of previously tested but unvested securities. Furthermore, if the operating EPS hurdles are met as a result of poor short-term decisions, this also would negatively affect the security price and therefore LTI. As a result, this increases the effective weighting of the RTSR in terms of its influence on the remuneration outcomes for employees.

Operating earnings per security hurdle

This hurdle requires that the cumulative operating EPS over a three year period meets the target set by the Board. The target for each financial year is the same as that used for the purpose of the STI and is set at the start of each financial year. The appropriate level of operating EPS growth is determined by the Board based on operating conditions in each market, the capacity of the business and the long-term objectives as set out above. The Board will review the hurdle in the context of a wide variety of factors that vary over time given the business cycle and strategy of Goodman. These factors include items such as financial leverage, return on assets and business margins.

+ Operating EPS is a measure of the cash earnings generated by the Consolidated Entity after excluding items such as the movement in the fair value of properties, derivative valuation movements and other non-cash or non-recurring items such as the share based payments expense, as set out earlier in the Directors' report.
+ It should be noted that in calculating the operating EPS growth, Goodman treats the unvested performance rights that have satisfied the performance hurdles as a dilutive measure by adding the securities to the denominator and accordingly the accounting fair value of the grant is excluded from profit in the numerator. This is considered to be appropriate for two main reasons. Firstly, the transactions are nearly all non-cash in nature and secondly, the measure of the number of securities is more reliable than the fair value estimation which is dependent on factors such as security price, volatility and discount rates. This enables Goodman to better plan its resource allocation in a manner which is less susceptible to statistics which may be volatile. Performance rights which as at the start of the financial year have achieved the required performance hurdles but have not yet vested are included in the weighted average number of securities, reflecting the future dilution impact on Securityholders. For FY17, the 1,798.4 million weighted average number of securities used in calculating operating EPS, includes securities that have vested during the year plus 11.1 million securities which have achieved the required performance hurdles and will vest in September 2017 and September 2018.
+ The method for calculating the operating EPS has been applied consistently for each award under the LTIP since establishment in 2009 and the methodology is used for setting the target and financial performance forecast at the commencement of each financial year.

Operating EPS is an important measure as the cash generated drives distributions and the asset backing of the Consolidated Entity. Performance hurdles can be met consistently if the combinations of the individual investments are balanced such that the overall outcomes may be achieved. It is effective over time if the allocation of human and capital resources are managed to deliver the outcomes on a consistent basis without compromising service and quality, whilst not exposing Goodman to excessive cyclical risk through a high fixed cost basis or excess financial leverage.

In recent years, the target has been to grow operating EPS at 6% per annum. This reflects the long-term "through-cycle" target which has consistently been indicated to the market. Management and the Board believe that this return has been appropriate as it has allowed Goodman to balance its investment approach, resources and capital management in a way that encourages sustainable practices.

Relative total securityholder return hurdle

This hurdle is based on the total securityholder return of Goodman relative to that of other S&P/ASX 100 entities over a three year period.

RTSR is driven by a combination of growth in earnings and asset backing but also reflects the way in which results are being achieved. If Goodman were to achieve its short-term objectives by adding disproportionate risk, it would manifest in lower RTSR over the long term. Some such factors may include:

+ financial risk;
+ new market risk;
+ under-investment in assets and human capital; and
+ poor supplier relationships.

The local benchmark has been selected as Goodman is reporting in an Australian dollar functional currency, is competing for capital in the Australian market and seeks to appeal to both domestic and international investors relative to the other investment alternatives on the ASX. The S&P/ASX 100 index is viewed as an appropriate comparator group so as to capture a wide enough range of companies. Whilst cyclical market factors such as specific industry changes, interest rates and commodity prices may impact on RTSR in the short term, ultimately, an intrinsic relationship exists between inflation, interest rates and property markets. This will normalise over time (as will the impacts on returns) and the executives should aim to deliver long-term outperformance and be rewarded for this. Despite this, Goodman must take account of short-term cycles when forming strategy and executing on plans so as to deliver consistently year on year.

The Board's view is that significant proportions of Goodman's activities can justifiably be characterised as an "operating business" in particular that the "active" (i.e. non-rental income) aspects of Goodman's business model possess sufficient complexity, geographical spread and capital commitments (including those from global investment partners) that may not necessarily exist within the domestic real estate investment trusts (REITs). The characteristics outlined provide further support for the Board that S&P/ASX 100 index remains the appropriate comparator group as it contains companies with such characteristics.

4. DESIGN OF REMUNERATION PACKAGES CONTINUED

Vesting

The operating EPS performance hurdle will be satisfied in full when the cumulative operating EPS over the three year testing period meets or exceeds the target set by the Board. If the cumulative target is not met, then there is nil vesting against this hurdle. The Board believes that it would currently be inconsistent with Securityholders' expectations for there to be partial satisfaction of the hurdle where the target operating EPS had not been met.

The RTSR performance hurdle operates over a range of outcomes such that where Goodman's performance is:

+ from the 1st to 50th percentile, there is no vesting;
+ from the 51st percentile (i.e. above-average performance), there is 50% vesting, with an additional 2% vesting for each additional percentile rank to the 76th percentile; and
+ from the 76th percentile and above, there is 100% vesting.

Vesting of all performance rights is contingent on executives remaining employed by Goodman at the relevant vesting dates. As a result, in order to derive the full benefits of an award, an executive must remain employed over a five year vesting period.

Considerations of quantum of remuneration

In earlier sections, the link between business strategy and corporate culture with remuneration has been described. In order to make this link effective, the structure and quantum of awards must be adequate and appropriate.

In assessing the appropriate composition and size of remuneration packages, the Board considers a variety of factors that range from business strategy, corporate culture, appropriateness of return targets overall, affordability to Goodman and the rewards to employees in the context of competitive labour markets. This enables a balanced outcome in terms of the quantum of remuneration awarded each year.

The Board is able to exercise discretion over incentive based remuneration given the changes in the relative importance of each factor over time. As evidence of this, even though the FY08 operating profit was in line with target, the Board determined that no STI awards were made to the Group Chief Executive Officer and other executives given the financial impacts of the global financial crisis on Goodman. Alternatively, when the Consolidated Entity's performance has been strong, executives have been rewarded up to the established limits. This also reflects the potential volatility of remuneration outcomes in absolute terms as well as relative to peers.

In recent years, Goodman has been able to exceed the targets in favourable conditions. The targets could potentially have been set higher, but this would come at the expense of other strategic imperatives. For example, a very important strategic target for Goodman has been to reduce leverage at this stage of the cycle but setting higher operating EPS targets would have involved higher leverage. This would involve making or retaining investments that may underperform over the long term. The Board believes that the strong resulting RTSR reflects the investor recognition of the appropriateness of the targets and the manner in which they are being delivered. As such, STI and LTI awards for the executives have been at the upper end of the target ranges. At the same time, Securityholders have benefited from outcomes that have exceeded the minimum operating EPS targets, with total returns of 15% over one year, 73% over three years and 159% over five years.

Currently, it is evident that competitor activity is escalating and labour markets are more active in the regions and sectors in which Goodman operates. This has been taken into account in determining the level of remuneration for executives and in the determination of STI and LTI pools available for all employees.

In addition to financial performance, regard is also given to behavioural factors relating to Goodman's corporate culture, which, for executives, acts as a "gate" to reward or confirm ongoing employment, rather than operating as a measured item. This is because the Consolidated Entity has no direct near term quantitative link between Securityholder returns and measurable remuneration outcomes relating to values and corporate culture. These items are however, critical over the long term and are therefore regarded as necessary conditions for awards.

Allocations and limits on incentive reward outcomes

The Board exercises its judgement and discretion in relation to the determination of remuneration levels rather than applying a strict formulaic approach. Given the number of factors that drive potential risks and opportunities for Goodman and the ever-changing market conditions, the Board must retain this flexibility to make determinations on remuneration.

The remuneration review approval process occurs in three stages:

+ it commences with the Board determining the remuneration outcomes for the Group Chief Executive Officer;
+ remuneration outcomes for the other executives are determined relative to the Group Chief Executive Officer; and
+ this is cascaded through the business with reference to individual performance reviews which are recorded in Goodman's Performance Management System. In this process, an assessment of the potential value of that individual is made with an overlay of the adherence to Goodman's corporate values. The Board has oversight of the outcomes so that the remuneration strategies are being followed.

Board approved operating EPS targets must be met in order for employees to receive STI awards. This means that an inherent constraint applies in that it must not come at the expense of Goodman's achievement of financial targets. The STI pool size is also constrained by other factors, such as the 150% of base remuneration limit that applies to STI awards for executives and the target awards set across the business, which are benchmarked against these executive awards.

When considering the overall size of LTI awards, the Board also takes into account the number of securities that could vest and their associated impact upon the Consolidated Entity's operating EPS growth. This is regarded as an effective way to plan future operating EPS targets without potentially volatile measures impacting costs such as the future accounting fair value of the rights. On this basis, Goodman excludes the accounting fair value of the grant, but includes the number of securities that may be issued when determining the operating EPS growth target.

Performance rights under the LTIP that are available to be awarded to employees are capped at 5% of issued capital. At 30 June 2017, Goodman had issued capital of 1.789 billion securities and unvested performance rights of 62.5 million, which equates to 3.5% of issued capital. After the intended LTI grants in FY18, the number of performance rights will be well within the 5% cap of 89.5 million rights. Put another way, the dilution to Securityholders each year will be in the order of 1% if, and only if, all vesting conditions are met (i.e. the operating EPS targets are met and Goodman outperforms its peers). This is considered to be appropriate.

4. DESIGN OF REMUNERATION PACKAGES CONTINUED

Considerations of quantum of remuneration

The table below highlights the various valuation considerations in respect of the value of the performance rights to be granted in FY18.

	Value	Description
Face value	$7.87 per security	Represents the Goodman security price as at 30 June 2017.
Nominal value	$6.67 per security	Current Goodman security price less four years of estimated distributions.
Accounting fair value	Estimated to be in the region of $6.00 per security. Actual value will be determined at the grant date in FY18.	Assessment of the present value of the rights taking into account the time to vesting and the probability of meeting the RTSR hurdle but assumes the operating EPS hurdle is met with a 100% probability attributed. The actual accounting fair value calculation is made at the date of grant, which is expected to be during FY18. The valuation of the grant will be expensed in the statutory income statement from the date of the grant until the vesting dates in September 2020, September 2021 and September 2022.
Economic value	N/A	Different value assessment for each employee dependent on their expectation of probability of vesting. This may include consideration of the security price at grant date, expectations of future market and Goodman performance, individual's risk tolerance and financial circumstances. For these reasons, it will typically be lower than the face, nominal and accounting fair values above.
Actual value	N/A	Depends on performance relative to the operating EPS and RTSR hurdles and the Goodman security price at the vesting dates. This is not known at the grant date. Accordingly, the outcome is dependent on the performance of Goodman over the five year vesting period, which demonstrates how LTI creates alignment of interest.

The accounting fair value of performance rights is used for statutory reporting purposes. It is usually less than the "nominal value" as it will estimate the vesting probability for those tranches that are subject to the RTSR performance hurdle. If all performance hurdles and vesting conditions are met the rights will be worth whatever the security price is upon vesting in the future. Ultimately, the higher the Securityholder returns, the more employees are rewarded. In effect, this is linked to the performance of the security price, which is directly aligned with the rewards to Securityholders.

For the purposes of determining appropriate LTI awards, the Board has used the nominal value as the primary measure of the performance rights, as it represents a potential value assuming full vesting but also takes into account the fact that performance rights are not entitled to distributions during the vesting periods. In economic terms however, the true impact on Goodman is the number of securities that actually vest and the Board has deemed that the proposed allocations are appropriate and affordable without impacting on the financial performance of Goodman.

Remuneration comparator groups

In relation to the executives' remuneration, the Board believes that it should primarily look to the global market as a reference point given the nature of Goodman's global activities and relative complexity. Whilst the Board is cognisant of the commentary around remuneration that has emerged locally over the last few years, it believes that in relation to remuneration benchmarking Goodman should consider the international environment at least equally with the domestic one.

The Consolidated Entity's significant international scope and footprint requires it to compete for expertise in each of its geographical markets. On that basis remuneration benchmarking for regional management needs to reflect local market standards. Notwithstanding this, the Board is conscious that it must remain aware of trends and market sentiment in remuneration policy and outcomes which apply in the domestic Australian market.

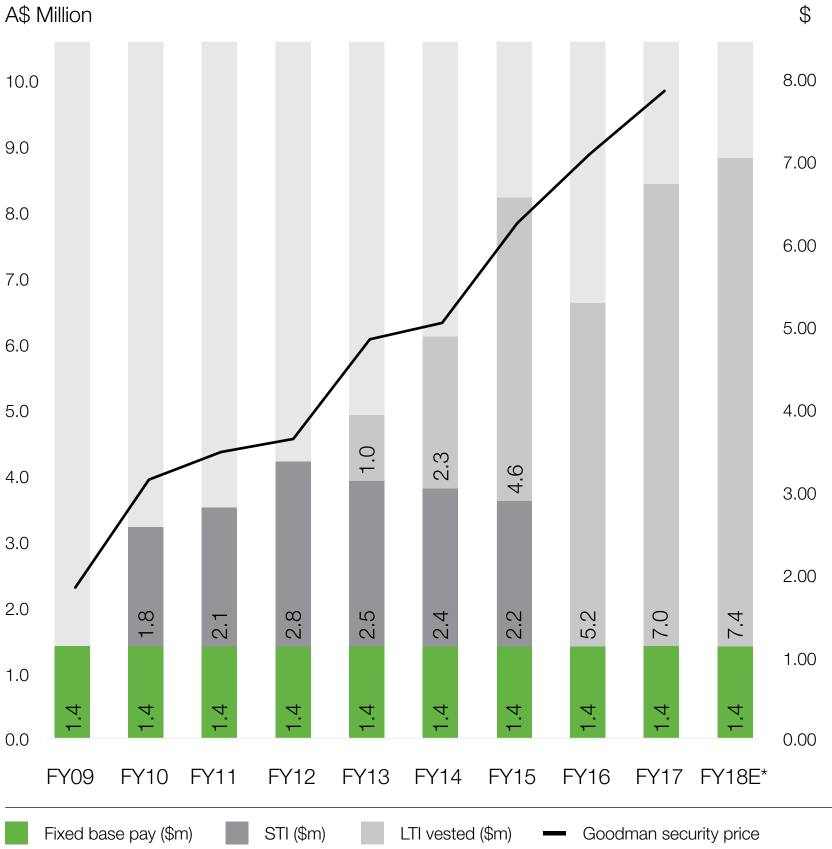
Accordingly, the Board considers that along with Australian comparators the global real estate investment managers and developers such as Westfield Corporation, Prologis, Inc. and Global Logistics Properties Limited form an important remuneration reference group, especially in relation to usage of LTI schemes. Several of these international corporates have more than one LTI scheme in place that is generally limited to senior employees only. As a result, a number of complex LTI structures exist, with no clear market consensus as to a standard model, but the overwhelming aim is to incentivise behaviour through material returns over the long term.

As the global comparator group tends to award significant allocations of equity as part of total remuneration, the Board understands the importance of LTI, in particular when competing with these entities. The Board also considers that given the nature of the LTIP, in that awards are totally dependent upon financial performance and are therefore at risk, that significant awards are justifiable and necessary to incentivise employees who perform at a consistently high level to remain with Goodman.

5. RELATIONSHIP BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES

This section aims to demonstrate the linkage between the performance of the Consolidated Entity and remuneration outcomes. This relationship is described with reference to historic outcomes. This will put into context the outcomes for the current year and the expectations for future periods. The analysis below is based on the outcomes for the Group Chief Executive Officer, which is then reflected in the trend for executives and all employees given their linkage from a relative perspective.

Group Chief Executive Officer cash remuneration outcomes and Goodman security price



* In relation to FY18, the Goodman security price of $7.87 at 30 June 2017 and the expected vesting of 939,297 performance rights have been used to estimate the value of LTI vesting on 1 September 2017.
**The amount vested during the financial year has been calculated based on the Goodman security price at the date of vesting.

The above chart compares the growth in the Goodman security price with realised cash remuneration outcomes since FY09. This demonstrates the effectiveness of Goodman's strategy and remuneration structure on a long-term basis and also highlights the fact that the Group Chief Executive Officer has the vast majority of his remuneration at risk.

During the global financial crisis, the Board elected to exercise its discretion such that no STI was granted despite the Consolidated Entity meeting its operating EPS target.

Since FY09, the movement in Goodman's security price has been strong. The Board believes that the combined effect of the two performance hurdles and the weighting of remuneration towards LTI has worked favourably for Securityholders. The rate of operating EPS growth has been competitive relative to other investments in the market and at the same time, gearing has reduced and the quality of the portfolio of investments has improved through asset rotation and new developments. Goodman's strong financial position has resulted in both Standard & Poor's and Moody's increasing Goodman's credit ratings to BBB+ and Baa1 respectively during 2017.

Furthermore, the risks associated with development have been diversified through the increase in activity done in partnerships relative to directly by Goodman. In addition, the setting of appropriate growth targets has afforded Goodman scope to expand into new markets over the years, which have enabled it to increase operating EPS sustainably over time and enhance the growth options whilst maintaining appropriate controls and quality. Having achieved these outcomes for the past several years, Goodman's security price has grown more than proportionately when compared to the local benchmarks.

The growth in the security price and RTSR performance has translated to higher remuneration for the Group Chief Executive Officer.

5. RELATIONSHIP BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES CONTINUED

FY17 performance summary

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

	2013	2014	2015	2016	2017
Operating profit ($M)	544.1	601.1	653.5	714.5	776.0
Operating EPS (¢)	32.4	34.8	37.2	40.1	43.1
Security price as at 30 June ($)	4.88	5.05	6.27	7.11	7.87
Dividends/distributions per security (¢)	19.4	20.7	22.2	24.0	25.9
Total Securityholder return[1] (%)	34.0	10.7	30.0	17.0	14.2
Net tangible assets per security ($)	2.69	2.88	3.46	4.10	4.21
Gearing (%)	18.5	19.5	17.3	11.8	5.9

1. The total Securityholder return is based on the distributions paid to Securityholders and the security price movement during each financial year and assumes Securityholders reinvested distributions. It also used a volume weighted average price at both the start and end of the financial year, which is why the figures disclosed in the table above are not necessarily the same as the total Securityholder returns disclosed in section 1. The calculated total Securityholder return is compared to the total securityholder return of other entities in the S&P/ASX 100 index (S&P/ASX 200 index for grants made in 2013 and prior financial years) for the purpose of determining the RTSR performance hurdle under the LTIP.

For FY17, Goodman delivered an operating profit of $776.0 million, which equates to an operating EPS of 43.1 cents, up 7.5% on the prior year. Distributions to Securityholders have also increased to 25.9 cents per security (2016: 24.0 cents per security). This represents another year of consistent growth with net tangible assets per security increasing from $4.10 to $4.21 and headline gearing falling to 5.9%, as Goodman continues to execute on its stated strategy of rotating assets to invest in its development business, thereby improving the overall quality of its property portfolio. The Consolidated Entity's sound financial position is also reflected in Goodman's security price, which has increased from $7.11 at 30 June 2016 to $7.87 as at 30 June 2017.

In addition to the strong financial performance, the Board also considers the result to have been achieved in a sustainable manner and that Goodman's strategy and values have been adhered to. The Board believes that individual executives have acted collaboratively.

The Board considers that this represents a strong performance and this is reflected in its award of incentives, both STI and LTI, to the executives.

Goodman's capacity to meet the operating EPS target and deliver strong total Securityholder returns for FY17 rests on a range of key operational achievements under the integrated business model as summarised below:

Property investment

+ Increased portfolio occupancy rate to 97%, with retention levels at 81% and WALE of 4.7 years. Driven by the strength of the portfolio and the service provided by Goodman.
+ Achieved like-for-like rental growth of 3.0% and positive lease reversions of 2.5% on new leasing deals, a further reflection of the portfolio quality.
+ Completed $2.3 billion of asset sales to third parties (excluding urban renewal) to maximise value, fund new developments and lower leverage.

Development

+ Completed $2.7 billion of developments for customers to occupy and for partnerships to own.
+ Managed development risks, with increasing development volumes undertaken by the partnerships.
+ Increased development work in progress to $3.5 billion across 77 projects in 12 countries with a forecast yield on cost of 7.8%.
+ Increased return on Goodman's development capital.

Management

+ Delivered average total returns in excess of 14% across Goodman's managed partnerships.
+ Maintained or reduced leverage in partnerships through asset rotation programme.
+ Notwithstanding the asset rotation, increased external assets under management to $30.5 billion across 16 managed partnerships.
+ Maintained strong relationships with Goodman's investment partners. At 30 June 2017, the partnerships had $11 billion available in equity, undrawn debt and cash.

Capital management

+ Improved operating EPS by 7.5% whilst decreasing Goodman's headline gearing to 5.9% and increasing available liquidity to $3.2 billion.
+ Reduced gearing target under the Financial Risk Management policy resulted in an upgrade to Goodman's credit rating by S&P and Moody's to BBB+/Baa1 respectively and stable outlook.
+ Successfully amended financial covenants across Goodman's debt platform.
+ Procured and/or renewed debt facilities of $4.8 billion, with average term of 5.6 years, across Goodman and its managed partnerships with improved terms.

+ Behavioural expectations consistent with Goodman's values, which are ensuring a customer focused, results driven organisation with consideration of transparency, innovation, respect and partnership.
+ Deployment of business process improvement activities e.g. information technology optimisation programmes.

5. RELATIONSHIP BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES CONTINUED

Remuneration outcome for the Group Chief Executive Officer

The non-statutory analysis below sets out the Group Chief Executive Officer's cash remuneration in each of the past five financial years. This includes the base remuneration and cash bonus (STI) that related to each financial year plus the value of the performance rights (LTI) that vested during the financial year. The value of performance rights was determined by multiplying the number of securities that vested by the market price of the securities at the date of vesting. This is different from the statutory presentation of remuneration in section 6, where the values of the performance rights were determined using option pricing models at the date the award was made and then amortised over the vesting periods.

Group Chief Executive Officer remuneration – non-statutory

	2013	2014	2015	2016	2017
Base remuneration ($M)	1.4	1.4	1.4	1.4	1.4
STI ($M)	2.5	2.4	2.2	–	–
LTI – vested during the year ($M)	1.0	2.3	4.6	5.2	7.0
Total remuneration ($M)	**4.9**	**6.1**	**8.2**	**6.6**	**8.4**
Proportion of STI and LTI (%)	71.4	77.0	82.9	78.8	83.3
Proportion of LTI (%)	20.4	37.7	56.1	78.8	83.3

Base remuneration

From FY13 to FY17, the base remuneration for the Group Chief Executive Officer has been unchanged at $1.4 million. The Board has determined that it will remain at $1.4 million for FY18.

Short-term incentive

From FY13 to FY15, the level of STI was generally at the upper end of the bonus range in line with the operational achievements in those financial years. However, in FY16 and FY17 the Group Chief Executive Officer has not been awarded any STI but in exchange he has been awarded LTI that incorporates a component that reflecting foregone STI (as further discussed below). Consequently, the Group Chief Executive Officer may lose all his FY16 and FY17 foregone STI if Goodman fails to meet its future performance hurdles and performance rights fail to vest. The Board considers that this encourages commercial decisions that reflect the long-term best interests of Goodman and Securityholders and reinforces the alignment between the Group Chief Executive Officer and Securityholders.

Long-term incentive

During FY17, $7.0 million (2016: $5.2 million) of performance rights vested, based on the closing market price of a Goodman security of $7.53 at the vesting date on 1 September 2016. The increase in the cash value of the LTI compared to FY16, was due to both an increase in the number of performance rights vested and the increase in the Goodman security price, reflecting the consistently strong performance over the past five years.

The Board proposes to award the Group Chief Executive Officer 1.6 million performance rights, subject to approval by Securityholders at the 2017 Annual General Meeting. The Board considers that the amount is appropriate having regard to the performance of the Group Chief Executive Officer, foregone STI and consideration of feedback from investors in relation to levels of FY16 remuneration.

The testing period for this award will be from 1 July 2017 to 30 June 2020 and, subject to performance against the hurdles, vesting will then take place in three equal tranches on 1 September 2020, 2021 and 2022. The final remuneration outcome for the Group Chief Executive Officer in each of those years will depend upon the performance of the Consolidated Entity over the testing period, and then the performance of the Goodman security price until the vesting dates.

The LTI award for the Group Chief Executive Officer is illustrated below:

	2017	2016
Hypothetical maximum STI ($M)	2.1	2.8
Number of rights (M) this equates to based on nominal value ($6.67 per security in FY17 and $6.00 per security in FY16)	0.3	0.5
Ordinary course LTI award – number of rights (M)	1.3	1.9
Total number of rights to be awarded	1.6	**2.4**

Using the nominal value of performance rights (refer to section 4 of the remuneration report), the total grant is valued at $10.7 million (2016: $14.4 million) but the accounting fair value is expected to be in the order of $9.6 million (2016: $12.9 million).

As a result, the Board assesses the Group Chief Executive Officer's total remuneration in respect of performance in FY17 is $12.1 million (2016: $15.8 million), using the nominal value of performance rights that will be awarded during FY18, and $11.0 million (2016: $14.3 million), using the estimated accounting fair value of performance rights that will be awarded during FY18. However, the ultimate cash outcome for the Group Chief Executive Officer is contingent on future performance and won't be known for five years.

5. RELATIONSHIP BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES CONTINUED

Remuneration outcome for other executives

The Board has assessed the components of remuneration for the other executives in FY17 as follows:

Base remuneration

+ no change to base remuneration.

Short-term incentives

+ having regard to performance in FY17, STI awards will be at or near the upper end of the revised limit of 150% of base remuneration;
+ the 50% deferral of STI has been maintained; and
+ compared to FY16, STI have reduced by 25% on average and in light of this decline, remuneration for the executives has a greater weighting to LTI.

Long-term incentives

+ the Board intends to reduce the number of performance rights granted when compared to last year. This is owing to the increase in the Goodman security price having an impact on the potential financial benefit to the other executives. In addition, the Board believes that the volume of outstanding securities from previous grants has sufficient effect to achieve the desired alignment with Securityholders; and
+ the proposed awards for the other executives are set out in the table below, and, in the case of the Executive Directors, are subject to approval by the Securityholders at the 2017 Annual General Meeting.

	Number of performance rights	
Other executives	FY18 – proposed	FY17 – actual
Mr Anthony Rozic	600,000	700,000
Mr Danny Peeters	550,000	600,000
Mr Nick Kurtis	600,000	700,000
Mr Nick Vrondas	600,000	750,000
Mr Jason Little	550,000	700,000

1. These proposed awards were not reflected in the current year statutory or non-statutory remuneration tables as they did not occur prior to 30 June 2017. The outstanding performance rights (post the proposed allocations to be tested over the three years ending 30 June 2020) will represent significantly less than the cap of 5% of issued capital and are set such that they will not have an adverse effect on growth in operating EPS relative to expectations.

The Board assesses that the other executives' total remuneration in relation to performance during FY17, using the nominal value of performance rights that will vest during FY18, has reduced by 10% on average compared to FY16.

6. EXECUTIVES' REMUNERATION (STATUTORY ANALYSIS)

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

		Short-term					Long-term		Share based payments		Performance related	
Executives		Salary and fees[1] $	Bonus (STI)[2] $	Other[3] $	Total $	Superannuation benefits $	Bonus (STI)[2] $	Other[3] $	Performance rights (LTI)[4] $	Total $	STI + LTI as percentage of total %	LTI as percentage of total %
Mr Gregory Goodman	2017	1,380,337	–	16,163	1,396,500	19,616	–	24,773	7,450,013	8,890,902	83.8	83.8
	2016	1,392,262	–	15,594	1,407,856	19,308	–	24,841	4,791,688	6,243,693	76.7	76.7
Mr Anthony Rozic	2017	712,073	–	18,010	730,083	19,616	950,000	12,387	2,576,644	4,288,730	82.2	60.1
	2016	651,895	–	18,010	669,905	19,308	1,400,000	12,421	1,934,123	4,035,757	82.6	47.9
Mr Nick Kurtis	2017	667,421	–	18,010	685,431	19,616	950,000	12,380	2,676,167	4,343,594	83.5	61.6
	2016	692,228	–	18,010	710,238	19,308	1,400,000	12,418	2,033,093	4,175,057	82.2	48.7
Mr Nick Vrondas	2017	695,358	–	16,500	711,858	19,616	950,000	30,480	2,651,284	4,363,238	82.5	60.8
	2016	595,537	–	16,500	612,037	19,308	1,200,000	10,644	1,875,248	3,717,237	82.7	50.4
Mr Jason Little	2017	582,876	–	–	582,876	19,616	900,000	25,469	2,097,472	3,625,433	82.7	57.9
	2016	486,866	–	–	486,866	19,308	1,000,000	8,872	1,306,337	2,821,383	81.7	46.3
Mr Philip Pearce[5]	2017	46,345	–	–	46,345	99	–	–	43,248	89,692	48.2	48.2
	2016	715,207	1,050,000	–	1,765,207	3,184	–	–	1,564,849	3,333,240	78.4	46.9
		€	€	€	€	€	€	€	€	€		
Mr Danny Peeters[6]	2017	564,950	–	–	564,950	–	700,000	–	1,537,230	2,802,180	79.8	54.9
	2016	564,950	–	–	564,950	–	1,000,000	–	1,129,573	2,694,523	79.0	41.9

1. Salary and fees represents the amounts due under the terms of executives' service contracts and includes movements in annual leave provisions.
2. Executives' bonus awards are paid in two instalments, 50% on finalisation of Goodman's annual report and 50% 12 months later. Under Australian Accounting Standards, this means the entire bonus award is considered as a long-term benefit with regard to the disclosure of individual executive's remuneration. No bonuses were forfeited during the financial year.
3. Other includes reportable fringe benefits, car parking and changes in long service leave provisions.
4. Performance rights are a long-term incentive and in accordance with Australian Accounting Standards, the values of the awards are determined using option pricing models and amortised in the income statement over the vesting periods.
5. Mr Philip Pearce resigned as a Director on 12 July 2016.
6. The remuneration of Mr Danny Peeters is disclosed in Euros, the currency in which his base remuneration and STI are determined. The value attributed to his performance rights is translated from Australian dollars at the weighted average rate for the relevant financial year.

7. NON-EXECUTIVE DIRECTORS' REMUNERATION

Remuneration policy

Key elements of the Non-Executive Director remuneration policy

+ The policy is structured to ensure independence of judgement in the performance of their duties.
+ Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees.
+ The fees take into account the size and scope of Goodman's activities and the responsibilities and experience of the directors. Periodically, these fees are benchmarked against data for comparable entities provided by external advisers.
+ As approved by Securityholders at the 2006 Annual General Meeting, total remuneration (including superannuation) payable by Goodman to all Non-Executive Directors in aggregate must not exceed $2.5 million per annum. For the current financial year, total Non-Executive Directors' remuneration was $2.3 million.
+ The increase in Non-Executive Director fees compared to the prior financial year was due to the appointment of Mr Stephen Johns on 1 January 2017 and the 2% increase in Board fees (excluding Board committee fees) from 1 July 2016.
+ Non-Executive Directors are not entitled to participate in any STI or LTI schemes as they may be perceived to create a bias when overseeing executive decision making.
+ The Board has a policy, set out in the Directors' Securities Acquisition Plan, for Non-Executive Directors to accumulate a significant long-term holding of Goodman securities so that they have an alignment of interests with those of Securityholders. Under the policy, each Non-Executive Director is required to acquire securities such that their holding is equal in value to twice their annual base fees. The value of securities for this purpose equals the higher of purchase cost or market value at the end of each financial year. This holding may be acquired at any time but where not held at the beginning of a financial year, the policy is for 25% of base fees (net of tax) during the financial year to be applied to the on-market purchase of securities.

Board and committee annual fees

		Board $	Audit Committee $	Risk and Compliance Committee $	Remuneration and Nomination Committee $
Chairman	2017	561,000	37,500	37,500	37,500
	2016	550,000	37,500	37,500	37,500
Member	2017	204,000	22,500	22,500	22,500
	2016	200,000	22,500	22,500	22,500

Non-Executive Directors' remuneration (statutory analysis)

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

Non-Executive Directors[1]		Salary and fees $	Superannuation benefits $	Total $
Mr Ian Ferrier	2017	541,384	19,616	561,000
	2016	530,692	19,308	550,000
Mr Philip Fan	2017	249,000	–	249,000
	2016	245,000	–	245,000
Mr John Harkness	2017	244,384	19,616	264,000
	2016	240,692	19,308	260,000
Mr Stephen Johns[2]	2017	103,442	9,808	113,250
	2016	–	–	–
Ms Anne Keating	2017	229,384	19,616	249,000
	2016	225,692	19,308	245,000
Ms Rebecca McGrath	2017	244,384	19,616	264,000
	2016	240,692	19,308	260,000
Mr Phillip Pryke[3]	2017	328,231	19,616	347,847
	2016	318,655	19,308	337,963
Mr Jim Sloman	2017	229,384	19,616	249,000
	2016	225,692	19,308	245,000

1. The Non-Executive Directors did not receive any incentive based remuneration.
2. Mr Stephen Johns was appointed a Director on 1 January 2017.
3. Salary and fees for Mr Phillip Pryke included an amount of A$80,302 (NZ$85,000) (2016: A$77,963 (NZ$85,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.

8. OTHER REMUNERATION DISCLOSURES

Performance rights disclosures

Summary of performance relative to the hurdles for the LTIP grants

2015 LTIP grant (with a performance testing period that ended on 30 June 2017)

Performance rights awarded in FY15 had a performance period ended 30 June 2017. Details of the performance relative to the hurdles are set out below:

Hurdle	Target	Actual	Out-performance	Vested (%)	Weighting (%)	Vesting outcome (%)
Operating EPS						
FY15	36.9 cps	37.2 cps	0.3 cps			
FY16	39.4 cps	40.1 cps	0.7 cps			
FY17	42.5 cps	43.1 cps	0.6 cps			
Aggregate	118.8 cps	120.4 cps	1.6 cps	100.0	75.0	75.0
Relative TSR						
1 July 2014 to 30 June 2017	51st percentile	81st percentile	76th percentile	100.0	25.0	25.0
Total vesting						**100.0**

Based on the achievement of the performance hurdles, 100% of the FY15 performance rights will vest into Goodman securities, subject to meeting the employment conditions, and will be delivered to executives in three tranches on an annual basis commencing from September 2017. Executives must remain employed on each of the three vesting dates in September 2017, 2018 and 2019 respectively for the performance rights to vest.

2016 and 2017 LTIP grants

For the grants made in FY16 and FY17, the performance testing periods run to 30 June 2018 and 30 June 2019 respectively. For both grants, an assessment of operating EPS and RTSR as at 30 June 2017 indicated that the operating EPS hurdles had been met and RTSR hurdles were partially achieved. However, the performance hurdles for both grants will need to be assessed over the full three year performance periods to determine whether they are satisfied.

Movements in performance rights held by the KMPs

The movements in the number of performance rights during FY17 are summarised as follows:

	Year	Held at the start of the year	Granted as compensation	Vested	Forfeited	Held at the end of the year[1]
Executive Directors						
Mr Gregory Goodman	2017	4,885,979	2,400,000	(932,505)	(52,104)	6,301,370
	2016	3,763,653	2,000,000	(877,674)	–	4,885,979
Mr Anthony Rozic	2017	2,045,559	700,000	(459,625)	(23,157)	2,262,777
	2016	1,932,551	600,000	(486,992)	–	2,045,559
Mr Philip Pearce	2017	1,607,484	–	–	–	1,607,484
	2016	1,374,438	450,000	(216,954)	–	1,607,484
Mr Danny Peeters	2017	1,850,310	600,000	(459,625)	(23,157)	1,967,528
	2016	1,887,302	450,000	(486,992)	–	1,850,310
Other executives						
Mr Nick Kurtis	2017	2,195,559	700,000	(459,625)	(23,157)	2,412,777
	2016	1,932,551	750,000	(486,992)	–	2,195,559
Mr Nick Vrondas	2017	2,000,460	750,000	(367,903)	(20,262)	2,362,295
	2016	1,600,210	750,000	(349,750)	–	2,000,460
Mr Jason Little	2017	1,382,575	700,000	(243,070)	(17,367)	1,822,138
	2016	1,142,838	450,000	(210,263)	–	1,382,575

1. Relates to performance rights held at the earlier of the end of the financial year or the date of ceasing to be a KMP.

8. OTHER REMUNERATION DISCLOSURES CONTINUED

Analysis of performance rights held by the KMPs

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

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	Vested in prior years (%)	Vested in the year (%)[2]	Forfeited (%)	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Executive Directors											
Mr Gregory Goodman	2,400,000	30 Sep 2016	2017	5.64	13,536,000	–	–	–	–	2020 – 2022	1 Sep 2021
	2,000,000	25 Nov 2015	2016	4.44	8,880,000	–	–	–	–	2019 – 2021	1 Sep 2020
	995,476	20 Nov 2014	2015	4.01	3,991,859	–	–	–	–	2018 – 2020	2 Sep 2019
	947,368	22 Nov 2013	2014	3.67	3,476,841	–	31.5	5.5	2,247,110	2017 – 2019	3 Sep 2018
	927,152	16 Nov 2012	2013	3.37	3,124,502	33.3	33.3	–	2,327,154	2016 – 2018	1 Sep 2017
	980,000	25 Nov 2011	2012	2.12	2,077,600	66.3	33.2	0.5	2,447,498	2015 – 2017	1 Sep 2016
Mr Anthony Rozic	700,000	30 Sep 2016	2017	5.64	3,948,000	–	–	–	–	2020 – 2022	1 Sep 2021
	600,000	25 Nov 2015	2016	4.44	2,664,000	–	–	–	–	2019 – 2021	1 Sep 2020
	542,987	20 Nov 2014	2015	4.01	2,177,378	–	–	–	–	2018 – 2020	2 Sep 2019
	421,053	22 Nov 2013	2014	3.67	1,545,265	–	31.5	5.5	998,719	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	33.3	33.3	–	1,163,573	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	66.3	33.2	0.5	1,298,684	2015 – 2017	1 Sep 2016
Mr Danny Peeters	600,000	30 Sep 2016	2017	5.64	3,384,000	–	–	–	–	2020 – 2022	1 Sep 2021
	450,000	25 Nov 2015	2016	4.44	1,998,000	–	–	–	–	2019 – 2021	1 Sep 2020
	497,738	20 Nov 2014	2015	4.01	1,995,929	–	–	–	–	2018 – 2020	2 Sep 2019
	421,053	22 Nov 2013	2014	3.67	1,545,265	–	31.5	5.5	998,719	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	33.3	33.3	–	1,163,573	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	66.3	33.2	0.5	1,298,684	2015 – 2017	1 Sep 2016

Refer to the following page for explanatory footnotes.

Details of the awards of performance rights under the LTIP granted by Goodman as compensation to Mr Philip Pearce as at the date of his resignation as a Director are as follows:

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	Vested in prior years (%)	Vested in the year (%)[2]	Forfeited (%)	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Executive Director											
Mr Philip Pearce	450,000	25 Nov 2015	2016	4.44	1,998,000	–	–	–	–	2019 – 2021	1 Sep 2020
	497,738	20 Nov 2014	2015	4.01	1,995,929	–	–	–	–	2018 – 2020	2 Sep 2019
	394,737	22 Nov 2013	2014	3.67	1,448,685	–	–	–	–	2017 – 2019	3 Sep 2018
	298,013	16 Nov 2012	2013	3.37	1,004,304	33.3	–	–	–	2016 – 2018	1 Sep 2017
	200,000	30 Sep 2011	2012	2.04	408,000	66.3	–	0.5	–	2015 – 2017	1 Sep 2016

Refer to the following page for explanatory footnotes.

8. OTHER REMUNERATION DISCLOSURES CONTINUED

Analysis of performance rights held by the KMPs (cont)

	Number of performance rights granted	Date of performance rights granted	Financial year	Fair value per performance right[1] $	Total value of performance rights granted[1] $	Vested in prior years (%)	Vested in the year (%)[2]	Forfeited (%)	Value of performance rights vested in the year[3] $	Financial years in which grant vests	Expiry date[4]
Other executives											
Mr Nick Kurtis	700,000	30 Sep 2016	2017	5.64	3,948,000	–	–	–	–	2020 – 2022	1 Sep 2021
	750,000	23 Sep 2015	2016	4.06	3,045,000	–	–	–	–	2019 – 2021	1 Sep 2020
	542,987	9 Oct 2014	2015	4.05	2,199,097	–	–	–	–	2018 – 2020	2 Sep 2019
	421,053	27 Sep 2013	2014	3.66	1,541,054	–	31.5	5.5	998,719	2017 – 2019	3 Sep 2018
	463,576	12 Oct 2012	2013	3.15	1,460,264	33.3	33.3	–	1,163,573	2016 – 2018	1 Sep 2017
	520,000	30 Sep 2011	2012	2.04	1,060,800	66.3	33.2	0.5	1,298,684	2015 – 2017	1 Sep 2016
Mr Nick Vrondas	750,000	30 Sep 2016	2017	5.64	4,230,000	–	–	–	–	2020 – 2022	1 Sep 2021
	750,000	23 Sep 2015	2016	4.06	3,045,000	–	–	–	–	2019 – 2021	1 Sep 2020
	497,738	9 Oct 2014	2015	4.05	2,015,839	–	–	–	–	2018 – 2020	2 Sep 2019
	368,421	27 Sep 2013	2014	3.66	1,348,421	–	31.5	5.5	873,879	2017 – 2019	3 Sep 2018
	397,351	12 Oct 2012	2013	3.15	1,251,656	33.3	33.3	–	997,349	2016 – 2018	1 Sep 2017
	360,000	30 Sep 2011	2012	2.04	734,400	66.3	33.2	0.5	899,082	2015 – 2017	1 Sep 2016
Mr Jason Little	700,000	30 Sep 2016	2017	5.64	3,948,000	–	–	–	–	2020 – 2022	1 Sep 2021
	450,000	23 Sep 2015	2016	4.06	1,827,000	–	–	–	–	2019 – 2021	1 Sep 2020
	395,928	9 Oct 2014	2015	4.05	1,603,508	–	–	–	–	2018 – 2020	2 Sep 2019
	315,789	27 Sep 2013	2014	3.66	1,155,788	–	31.5	5.5	749,039	2017 – 2019	3 Sep 2018
	231,788	12 Oct 2012	2013	3.15	730,132	33.3	33.3	–	581,790	2016 – 2018	1 Sep 2017
	200,000	30 Sep 2011	2012	2.04	408,000	66.3	33.2	0.5	499,487	2015 – 2017	1 Sep 2016

Notes in relation to the table analysis of performance rights over Goodman securities

1. The fair value was determined at grant date and calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the S&P/ASX 100 entities, and discounted the future value of any potential future vesting performance rights to arrive at a present value.
2. As performance rights had an exercise price of $nil, Goodman securities were automatically issued to employees when the performance rights vested. Accordingly, the percentage of performance rights that vested during the financial year equalled the percentage of securities issued during the financial year.
3. The value of performance rights vested was calculated using the closing price on the ASX of $7.53 on 1 September 2016, the day the performance rights vested.
4. As Goodman securities were automatically issued to employees when the performance rights vested, and lapsed where they failed to do so, the vesting date was also deemed to be the expiry date.

8. OTHER REMUNERATION DISCLOSURES CONTINUED

Hedging of unvested performance rights

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

Service contracts

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

Movement in Goodman securities held

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

	Year	Held at the start of the year[1]	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year[2]
Non-Executive Directors						
Mr Ian Ferrier	2017	175,912	–	11,070	–	186,982
	2016	159,309	–	16,603	–	175,912
Mr Philip Fan	2017	72,958	–	20,300	–	93,258
	2016	59,463	–	13,495	–	72,958
Mr John Harkness	2017	95,897	–	–	(25,867)	70,030
	2016	92,666	–	3,231	–	95,897
Mr Stephen Johns	2017	15,000	–	–	–	15,000
	2016	–	–	–	–	–
Ms Anne Keating	2017	64,033	–	–	–	64,033
	2016	64,033	–	–	–	64,033
Ms Rebecca McGrath	2017	26,406	–	5,415	–	31,821
	2016	20,395	–	6,011	–	26,406
Mr Phillip Pryke[3]	2017	114,232	–	–	–	114,232
	2016	108,232	–	6,000	–	114,232
Mr Jim Sloman	2017	88,128	–	5,145	–	93,273
	2016	83,244	–	4,884	–	88,128
Executive Directors						
Mr Gregory Goodman	2017	37,984,597	932,505	–	(933,927)	37,983,175
	2016	41,476,923	877,674	–	(4,370,000)	37,984,597
Mr Anthony Rozic	2017	854,182	459,625	–	(372,500)	941,307
	2016	539,690	486,992	–	(172,500)	854,182
Mr Philip Pearce	2017	225,000	–	–	–	225,000
	2016	178,803	216,954	–	(170,757)	225,000
Mr Danny Peeters	2017	1,383,895	459,625	–	–	1,843,520
	2016	896,903	486,992	–	–	1,383,895
Other executives						
Mr Nick Kurtis	2017	530,099	459,625	–	(283,935)	705,789
	2016	517,333	486,992	–	(474,226)	530,099
Mr Nick Vrondas	2017	200,000	367,903	–	(237,903)	330,000
	2016	300,000	349,750	–	(449,750)	200,000
Mr Jason Little	2017	407,848	243,070	–	(325,000)	325,918
	2016	197,585	210,263	–	–	407,848

1. Relates to securities held at the later of the start of the financial year or the date of becoming a KMP.
2. Relates to securities rights held at the earlier of the end of the financial year or the date of ceasing to be a KMP.
3. Subsequent to the end of the financial year, Mr Phillip Pryke ceased to have a beneficial interest in 13,352 securities and at the date of this report the number of Goodman securities he held, directly, indirectly or beneficially was 100,880.

8. OTHER REMUNERATION DISCLOSURES CONTINUED

Movement in hybrid securities (Goodman PLUS) issued by Goodman PLUS Trust

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

	Year	Held at the start of the year	Acquisitions	Held at the end of the year[1]
Mr Anthony Rozic	2017	1,000	–	1,000
	2016	1,000	–	1,000
Mr Philip Pearce	2017	1,646	–	1,646
	2016	–	1,646	1,646
Mr Nick Vrondas	2017	120	–	120
	2016	120	–	120

1. Relates to Goodman PLUS held at the earlier of the end of the financial year or the date of ceasing to be a KMP.

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

Transactions with Directors, executives and their related entities

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

ENVIRONMENTAL REGULATIONS

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

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

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

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

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

NON-AUDIT SERVICES

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

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

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

Details of the amounts paid to the auditor of the Consolidated Entity, KPMG and its network firms, for the audit and non-audit services provided during the financial year are set out in note 24 to the consolidated financial statements.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

Mr Ian Ferrier, AM – Independent Chairman
Member of the Audit Committee and Remuneration and Nomination Committee
Appointed 1 September 2003; Tenure 13 years, 10 months

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

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

Mr Gregory Goodman – Group Chief Executive Officer
Appointed 7 August 1998; Tenure 18 years, 11 months

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

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

Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and Compliance Committee
Appointed 1 December 2011; Tenure 5 years, 7 months

Philip was formerly an executive director and is now an independent non-executive director of Hong Kong Stock Exchange listed China Everbright International Ltd, a company which focuses on the business of environmental protection through the development and operation of numerous waste-to-energy and waste water treatment plants in China. Earlier in his career, he was an executive director of CITIC Pacific Ltd in charge of industrial projects in China. He is currently a director of the Hong Kong Stock Exchange listed Hysan Development Co Ltd, China Aircraft Leasing Group Holdings Limited and First Pacific Company Limited and an independent non-executive director of PFC Devices Inc.

Philip holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from Massachusetts Institute of Technology.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY CONTINUED

Mr John Harkness – Independent Director
Chairman of the Audit Committee and Member of the Risk and Compliance Committee
Appointed 23 February 2005; Tenure 12 years, 4 months

John is a Fellow of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since leaving KPMG in June 2000, John has held a number of non-executive director roles. He is currently Chairman of Charter Hall Retail Management Limited (director since August 2003), the management company of Charter Hall Retail REIT. He is also Chairman of the Reliance Rail group (since 2011). John is a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army and the Chairman of the National Foundation for Medical Research and Innovation.

Mr Stephen Johns – Independent Director
Member of the Audit Committee
Appointed 1 January 2017; Tenure 0 years, 6 months

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

Ms Anne Keating – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 23 February 2005; Tenure 12 years, 4 months

Anne has 20 years of experience as a director of public companies. She is currently a director of GI Dynamics, Inc. (since June 2011) and The Garvan Institute of Medical Research. Anne is also the Chairman of Houlihan Lokey Australia Pty Ltd, the Australian arm of the global investment bank, Houlihan Lokey, based in Los Angeles. Anne was formerly a director of REVA Medical, Inc. (October 2010 to June 2017), Ardent Leisure Group (March 1998 to September 2014) and, prior to that, of Spencer Street Station Redevelopment Holdings Limited, Insurance Australia Group Limited, ClearView Wealth Limited and STW Limited.

Anne is also a Governor of the Cerebral Palsy Alliance Research Foundation and was, until May 2012, a trustee for the Centennial Park and Moore Park Trust. Her last executive position was as General Manager, Australia for United Airlines for nine years until 2001.

Ms Rebecca McGrath – Independent Director
Chairman of the Risk and Compliance Committee and Member of the Remuneration and Nomination Committee
Appointed 3 April 2012; Tenure 5 years, 3 months

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

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

Mr Danny Peeters – Executive Director, Corporate
Appointed 1 January 2013; Tenure 4 years, 6 months

Danny has oversight of Goodman's European and Brazilian operations and strategy. Danny has been with Goodman since 2006 and has 18 years of experience in the property and logistics sectors. Danny is a director and/or a representative of Goodman's investment management entities, subsidiaries and partnerships in Europe and Brazil.

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

Mr Phillip Pryke – Independent Director
Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Appointed 13 October 2010; Tenure 6 years, 9 months

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

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

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY CONTINUED

Mr Anthony Rozic – Deputy Group Chief Executive Officer and Chief Executive Officer, North America
Appointed 1 January 2013; Tenure 4 years, 6 months

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

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

Mr Jim Sloman, OAM – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 1 February 2006; Tenure 11 years, 5 months

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

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

Mr Carl Bicego – Group Head of Legal and Company Secretary
Appointed 24 October 2006

Carl is the Group Head of Legal and the Company Secretary of the Company. He has over 19 years of legal experience in corporate law and joined Goodman from law firm Allens in 2006. Carl holds a Master of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

EVENTS SUBSEQUENT TO BALANCE DATE

On 12 July 2017, the Consolidated Entity notified Goodman PLUS unitholders of its intention to repurchase at par all the Goodman PLUS ($327.0 million) immediately following the payment of the coupon on 30 September 2017. There was no change in classification of Goodman PLUS or adjustment to the statement of financial position at 30 June 2017 as a result of this notification.

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

DECLARATION BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Group Chief Executive Officer and Group Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2017 have been properly maintained and the financial report for the year ended 30 June 2017 complies with accounting standards and presents a true and fair view of the Consolidated Entity's financial condition and operational results.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 48 and forms part of this Directors' report for the financial year.

ROUNDING

The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in this Directors' report and the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

Ian Ferrier, AM
Independent Chairman

Sydney, 21 August 2017

Gregory Goodman
Group Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To the Directors of Goodman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Teer
Partner

Sydney, 21 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 $M	2016 $M
Current assets			
Cash and cash equivalents	17(a)	2,095.1	1,337.0
Receivables	7	552.0	404.1
Inventories	6(b)	709.7	687.0
Asset held for sale	6(b)	203.6	–
Other financial assets	13	27.3	–
Other assets		14.7	15.7
Total current assets		**3,602.4**	**2,443.8**
Non-current assets			
Receivables	7	34.8	34.3
Inventories	6(b)	525.8	688.8
Investment properties	6(b)	2,010.2	2,720.7
Investments accounted for using the equity method	6(b)	5,522.7	5,348.1
Deferred tax assets	5(c)	10.2	12.3
Other financial assets	13	215.3	330.1
Intangible assets	10	771.9	780.6
Other assets		17.9	28.4
Total non-current assets		**9,108.8**	**9,943.3**
Total assets		**12,711.2**	**12,387.1**
Current liabilities			
Payables	8	358.8	407.4
Current tax payables	5(b)	63.5	62.1
Interest bearing liabilities	12	28.8	20.3
Provisions	9	262.8	211.5
Other financial liabilities	13	158.4	0.1
Total current liabilities		**872.3**	**701.4**
Non-current liabilities			
Payables	8	198.5	85.1
Interest bearing liabilities	12	2,849.5	2,844.9
Deferred tax liabilities	5(c)	45.9	44.7
Provisions	9	46.5	43.4
Other financial liabilities	13	76.3	274.3
Total non-current liabilities		**3,216.7**	**3,292.4**
Total liabilities		**4,089.0**	**3,993.8**
Net assets		**8,622.2**	**8,393.3**
Equity attributable to Goodman Limited (GL)			
Issued capital	16(a)	483.2	483.2
Reserves	18	(47.1)	(24.1)
Accumulated losses	19	(70.0)	(11.7)
Total equity attributable to GL		**366.1**	**447.4**
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	16(a)	6,914.1	6,914.1
Reserves	18	(99.2)	(47.3)
Accumulated losses	19	(153.6)	(344.0)
Total equity attributable to GIT		**6,661.3**	**6,522.8**
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	16(a)	634.4	634.4
Reserves	18	89.6	104.2
Retained earnings	19	545.0	358.7
Total equity attributable to GLHK		**1,269.0**	**1,097.3**
Total equity attributable to Securityholders		**8,296.4**	**8,067.5**
Other non-controlling interests	20	325.8	325.8
Total equity		**8,622.2**	**8,393.3**

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $M	2016 $M
Revenue			
Gross property income		177.1	204.6
Management income		266.3	259.3
Development income	2	1,207.1	1,250.4
		1,650.5	**1,714.3**
Property and development expenses			
Property expenses		(46.9)	(63.9)
Development expenses	2	(919.9)	(929.1)
		(966.8)	**(993.0)**
Other income			
Net gain from fair value adjustments on investment properties	6(e)	180.9	327.8
Net gain on disposal of investment properties		128.8	18.1
Net gain/(loss) on disposal of controlled entities	2	0.4	(2.3)
Share of net results of equity accounted investments		587.7	928.6
Net loss on disposal of equity investments	2	(0.1)	(42.5)
		897.7	**1,229.7**
Other expenses			
Employee expenses	2	(195.9)	(172.6)
Share based payments expense	2	(85.4)	(66.9)
Administrative and other expenses		(76.5)	(79.1)
Impairment losses	2	(93.0)	(249.1)
		(450.8)	**(567.7)**
Profit before interest and tax		**1,130.6**	**1,383.3**
Net finance income/(expense)			
Finance income	11	47.9	114.6
Finance expense	11	(327.3)	(127.6)
Net finance expense		**(279.4)**	**(13.0)**
Profit before income tax		**851.2**	**1,370.3**
Income tax expense	5	(54.4)	(75.6)
Profit for the year		**796.8**	**1,294.7**
Loss attributable to GL	19	(58.2)	(131.9)
Profit attributable to GIT (non-controlling interests)	19	620.3	1,232.4
Profit attributable to GLHK (non-controlling interests)	19	216.0	174.1
Profit attributable to Securityholders		**778.1**	**1,274.6**
Profit attributable to other non-controlling interests	20	18.7	20.1
Profit for the year		**796.8**	**1,294.7**
Basic profit per security (¢)	3	43.5	72.0
Diluted profit per security (¢)	3	42.6	69.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $M	2016 $M
Profit for the year		**796.8**	**1,294.7**
Other comprehensive (loss)/income for the year			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit superannuation funds	18(e)	(2.5)	(0.4)
Effect of foreign currency translation	18(e)	1.4	4.3
		(1.1)	**3.9**
Items that are or may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	18(a)	(0.7)	(0.1)
Cash flow hedges:			
– Change in value of financial instruments	18(b)	1.3	(0.9)
– Transfers from cash flow hedge reserve	18(b)	3.1	–
Effect of foreign currency translation	18	(121.2)	(33.4)
Transfers to the income statement from foreign currency translation reserve	18(c)	–	34.3
		(117.5)	**(0.1)**
Other comprehensive (loss)/income for the year, net of income tax		**(118.6)**	**3.8**
Total comprehensive income for the year		**678.2**	**1,298.5**
Total comprehensive (loss)/income attributable to GL		(104.5)	43.6
Total comprehensive income attributable to GIT (non-controlling interests)		579.3	1,066.1
Total comprehensive income attributable to GLHK (non-controlling interests)		184.7	168.7
Total comprehensive income attributable to Securityholders		**659.5**	**1,278.4**
Total comprehensive income attributable to other non-controlling interests		18.7	20.1
Total comprehensive income for the year		**678.2**	**1,298.5**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Year ended 30 June 2016	Note	Attributable to Securityholders Issued capital $M	Reserves $M	Accumulated losses/ retained earnings $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2015		**7,936.2**	**(132.4)**	**(753.5)**	**7,050.3**	**325.8**	**7,376.1**
Total comprehensive income for the year							
Profit for the year	19, 20	–	–	1,274.6	1,274.6	20.1	1,294.7
Other comprehensive income for the year, net of income tax		–	3.8	–	3.8	–	3.8
Total comprehensive income for the year, net of income tax		**–**	**3.8**	**1,274.6**	**1,278.4**	**20.1**	**1,298.5**
Transfers		–	110.1	(110.1)	–	–	–
Contributions by and distributions to owners							
– Distribution reinvestment plan	16(a)	95.5	–	–	95.5	–	95.5
– Distributions on stapled securities	15	–	–	(408.0)	(408.0)	–	(408.0)
– Distributions on Goodman PLUS	20	–	–	–	–	(20.1)	(20.1)
– Equity settled share based payments expense	2	–	51.3	–	51.3	–	51.3
Balance at 30 June 2016		**8,031.7**	**32.8**	**3.0**	**8,067.5**	**325.8**	**8,393.3**

Year ended 30 June 2017	Note	Attributable to Securityholders Issued capital $M	Reserves $M	Retained earnings $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2016		**8,031.7**	**32.8**	**3.0**	**8,067.5**	**325.8**	**8,393.3**
Total comprehensive income/(loss) for the year							
Profit for the year	19, 20	–	–	778.1	778.1	18.7	796.8
Other comprehensive loss for the year, net of income tax		–	(118.6)	–	(118.6)	–	(118.6)
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(118.6)**	**778.1**	**659.5**	**18.7**	**678.2**
Transfers		–	(33.4)	33.4	–	–	–
Contributions by and distributions to owners							
– Distributions on stapled securities	15	–	–	(481.2)	(481.2)	–	(481.2)
– Distributions on Goodman PLUS	20	–	–	–	–	(18.7)	(18.7)
– Equity settled share based payments expense	2	–	62.5	–	62.5	–	62.5
Acquisition of non-controlling interest	19	–	–	(11.9)	(11.9)	–	(11.9)
Balance at 30 June 2017		**8,031.7**	**(56.7)**	**321.4**	**8,296.4**	**325.8**	**8,622.2**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to shareholders of Goodman Limited, equity attributable to unitholders in Goodman Industrial Trust (non-controlling interests) and equity attributable to shareholders of Goodman Logistics (HK) Limited (non-controlling interests), refer to notes 16, 18 and 19.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $M	2016 $M
Cash flows from operating activities			
Property income received		178.2	216.8
Cash receipts from development activities		1,040.1	1,520.4
Other cash receipts from services provided		271.8	254.9
Property expenses paid		(49.2)	(73.7)
Payments for development activities		(867.6)	(1,036.5)
Other cash payments in the course of operations		(260.2)	(270.6)
Distributions/dividends received from equity accounted investments		440.4	421.5
Interest received		22.2	8.6
Finance costs paid		(143.0)	(191.8)
Net income taxes paid		(46.3)	(19.5)
Net cash provided by operating activities	17(b)	**586.4**	**830.1**
Cash flows from investing activities			
Net proceeds from disposal of investment properties		1,121.5	636.1
Proceeds from disposal of controlled entities, net of cash disposed		–	1.1
Net proceeds from disposal of equity investments		(0.3)	105.8
Cash recognised on restructure of Brazil operations		0.5	8.7
Acquisition of non-controlling interest		(12.1)	–
Payments for equity investments		(260.7)	(479.9)
Payments for investment properties		(113.7)	(103.4)
Payments for plant and equipment		(5.2)	(8.4)
Net cash provided by investing activities		**730.0**	**160.0**
Cash flows from financing activities			
Net cash flows (to)/from loans to related parties		(11.2)	1.0
Proceeds from borrowings		48.4	184.8
Repayments of borrowings		(114.6)	(255.6)
Cash outflow on debt modification	11	(17.8)	–
Distributions paid		(461.1)	(329.8)
Net cash used in financing activities		**(556.3)**	**(399.6)**
Net increase in cash held		760.1	590.5
Cash and cash equivalents at the beginning of the year		1,337.0	746.5
Effect of exchange rate fluctuations on cash held		(2.0)	–
Cash and cash equivalents at the end of the year	17(a)	**2,095.1**	**1,337.0**

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

Non-cash transactions are included in note 17(c).

BASIS OF PREPARATION

This section sets out the general basis upon which the Consolidated Entity has prepared its financial statements and information that is disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

Specific accounting policies can be found in the section to which they relate.

1. BASIS OF PREPARATION

Goodman Limited (Company or Parent Entity) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2017 comprises the Company and its controlled entities (together Goodman or Consolidated Entity) and Goodman's interests in associates and joint ventures (JVs).

(a) Statement of compliance

This consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB. The consolidated financial report also complies with IFRS.

The consolidated financial report is presented in Australian dollars and was authorised for issue by the Directors on 21 August 2017.

(b) Basis of preparation of the consolidated financial report

The stapling of the Company, GIT and GLHK was implemented on 22 August 2012. Shares in the Company, units in GIT and CDIs over shares in GLHK are stapled to one another and are quoted as a single security on the ASX.

Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company, GIT and GLHK, the Company is identified as having acquired control over the assets of GIT and GLHK. The issued units of GIT and shares of GLHK are not owned by the Company and are presented as non-controlling interests in the Consolidated Entity. Accordingly, the equity in the net assets of both GIT and GLHK has been separately identified in the statement of financial position and the profit or loss and total comprehensive income or loss arising from those net assets has been separately identified in the income statement and statement of comprehensive income respectively.

The consolidated financial report is prepared on the historical cost basis, subject to any impairment of assets, except that the following assets and liabilities are stated at fair value:

+ investment properties;
+ derivative financial instruments;
+ financial instruments classified as available for sale; and
+ liabilities for cash settled share based payment arrangements.

The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in this consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

(c) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's controlled entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of controlled foreign operations are translated into Australian dollars at foreign exchange rates ruling at the balance date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. On cessation of operations in a foreign region, the cumulative exchange differences relating to the operations in that region, that have been included in the foreign currency translation reserve, are reclassified to profit or loss.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(c) Foreign currency translation continued

Exchange rates used

The following exchange rates are the main exchange rates used in translating foreign currency transactions, balances and financial statements to Australian dollars:

	Weighted average		As at 30 June	
Australian dollar (AUD) to	2017	2016	2017	2016
New Zealand dollars (NZD)	1.0585	1.0903	1.0482	1.0456
Hong Kong dollars (HKD)	5.8554	5.6530	5.9935	5.7786
Chinese yuan (CNY)	5.1339	4.6927	5.1939	4.9564
Japanese yen (JPY)	82.2666	84.9874	86.2610	76.8420
Euros (EUR)	0.6920	0.6565	0.6727	0.6725
British pounds sterling (GBP)	0.5948	0.4919	0.5902	0.5613
United States dollars (USD)	0.7540	0.7285	0.7678	0.7447
Brazilian real (BRL)	2.4316	2.6922	2.5385	2.3718

(d) Changes in accounting policy

The AASB has issued new standards and amendments to standards that are first effective for the current accounting period of the Consolidated Entity. There are no significant changes in accounting policies for the current financial year.

(e) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following Australian Accounting Standards were available for early adoption but have not been applied in preparing these financial statements:

+ revisions to AASB 9 Financial Instruments include requirements for the classification and measurement of financial assets and replaces AASB 139 Financial Instruments: Recognition and Measurement. The revised AASB 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The new standard is not expected to have a material impact on the Consolidated Entity's financial statements;
+ AASB 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. Goodman's principal revenue streams have been reviewed and the new standard is not expected to impact gross property income and management income. For development income, based on the Consolidated Entity's current contractual arrangements, there would be no material impact on revenue recognition although additional disclosure might be required in respect of material construction contract activities that are accounted for on a percentage completion basis; and
+ AASB 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will become mandatory for the Consolidated Entity's 30 June 2020 financial statements and will result in the gross up of assets and liabilities where Goodman leases office buildings, motor vehicles and development land classified as inventories; however, based on existing lease arrangements, the impact is not expected to be material in the context of the Consolidated Entity's financial statements.

(f) Critical accounting estimates used in the preparation of the consolidated financial statements

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

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

+ Note 6 – Property assets;
+ Note 10 – Goodwill and intangible assets; and
+ Note 14 – Financial risk management.

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

Measurement of fair values

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

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

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

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

+ Note 6 – Property assets; and
+ Note 14 – Financial risk management.

RESULTS FOR THE YEAR

The notes in this section focus on the significant items in the income statement of the Consolidated Entity, and include the profit per security, analysis of the results by operating segment and taxation details.

2. PROFIT BEFORE INCOME TAX

Gross property income

Gross property income comprises rental income entitlements under operating leases, net of incentives provided, plus recoverable outgoings.

Rental income entitlements under operating leases are recognised on a straight-line basis over the term of the lease contract. Where operating lease rental income is recognised relating to fixed increases in rentals in future years, an asset is recognised. This asset is a component of the relevant investment property carrying amount. The cost of lease incentives provided to customers is amortised on a straight-line basis over the life of the lease as a reduction of gross property income.

Recoverable outgoings are recognised as income when the relevant outgoings are recorded as an expense.

Management income

Fee income derived from investment management and property services is recognised progressively as the services are provided. Any performance related investment management income is recognised when the services have been performed and the income can be reliably measured.

Development income

Development income comprises income from disposal of inventories, fee income from development management services and income from fixed price construction contracts.

The disposal of inventories is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the income statement in the period of disposal.

Fee income from development management services is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs incurred. Any performance related development management income is recognised on attainment of the performance related consideration.

Certain development activities are assessed as being fixed price construction contracts. Revenue and expenses relating to these construction contracts are recognised in the income statement in proportion to the stage of completion of the relevant contracts.

Net gain on disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred.

Employee expenses

Wages, salaries and annual leave

Wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the balance date represent present obligations resulting from employees' services provided to the balance date. These are calculated at undiscounted amounts based on rates that the Consolidated Entity expects to pay as at balance date including related on-costs, such as workers' compensation insurance and payroll tax.

Bonus

A liability is recognised in other payables and accruals for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for bonuses that are expected to be settled within 12 months are measured at the amounts expected to be paid, including related on-costs, when they are settled. Liabilities for bonuses, including related on-costs, which are expected to be settled after more than 12 months are discounted to reflect the estimated timing of payments.

Superannuation

Defined contribution funds

Obligations for contributions to defined contribution funds are recognised as an expense as incurred.

Defined benefit funds

Goodman's net obligation in respect of defined benefit plans is recognised in the statement of financial position, and is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Results for the year continued

2. PROFIT BEFORE INCOME TAX CONTINUED

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

	Note	2017 $M	2016 $M
Development activities			
Income from disposal of inventories		318.0	469.3
Net gain on disposal of special purpose development entities		17.7	25.0
Other development income		871.4	756.1
Development income		**1,207.1**	**1,250.4**
Inventory cost of sales		(271.8)	(381.3)
Other development expenses		(648.1)	(547.8)
Development expenses		**(919.9)**	**(929.1)**
Disposal of equity investments			
Net consideration from disposal of associates and JVs		6.5	114.3
Carrying value of associates and JVs disposed	6(f)(i), 6(f)(ii)	(6.6)	(92.6)
Loss on restructure of Brazil operations		–	(64.2)
Net loss on disposal of equity investments		**(0.1)**	**(42.5)**
Disposal of controlled entities			
Net consideration received and receivable from the disposal of controlled entities		0.4	1.9
Carrying value of net assets disposed		–	(4.2)
Net gain/(loss) on disposal of controlled entities		**0.4**	**(2.3)**
Employee expenses			
Wages, salaries and on-costs		(162.0)	(159.1)
Annual and long service leave		(1.8)	(5.2)
Superannuation costs		(7.9)	(8.3)
Restructure costs[1]		(24.2)	–
Employee expenses		**(195.9)**	**(172.6)**
Share based payments			
Equity settled share based payments expense		(62.5)	(51.3)
Cash settled share based payments expense		(15.0)	(7.8)
Other share based payments related costs		(7.9)	(7.8)
Share based payments expense		**(85.4)**	**(66.9)**
Amortisation and depreciation			
Amortisation of leasehold improvements		(0.6)	(0.5)
Depreciation of plant and equipment		(7.9)	(7.2)
Amortisation and depreciation		**(8.5)**	**(7.7)**
Impairment losses			
Impairment of receivables		–	(2.1)
Impairment of inventories	6(d)	(75.5)	(42.4)
Impairment of equity accounted investments	6(f)(i)	(17.5)	–
Impairment of intangible assets	10	–	(204.6)
Impairment losses		**(93.0)**	**(249.1)**

1. During the current financial year, Goodman commenced a restructure in the United Kingdom, following the decision to cease activities in relation to business parks.

Results for the year continued

3. PROFIT PER SECURITY

Basic profit per security is calculated by dividing the profit attributable to the Securityholders by the weighted average number of securities outstanding during the year. Diluted profit per security is determined by adjusting the profit attributable to the Securityholders and weighted average number of securities outstanding for all dilutive potential securities, which comprise performance rights issued under the LTIP and securities contingently issuable on conversion of hybrid securities.

	2017 ¢	2016 ¢
Profit per security		
Basic profit per security	43.5	72.0
Diluted profit per security	42.6	69.8

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

	Note	2017 $M	2016 $M
Profit after tax used in calculating basic profit per security	19	778.1	1,274.6
Distribution on Goodman PLUS	20	18.7	20.1
Profit after tax used in calculating diluted profit per security		**796.8**	**1,294.7**

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

	2017 Number of securities	2016
Weighted average number of securities used in calculating basic profit per security	1,787,315,792	1,770,270,056
Effect of performance rights on issue	45,754,728	39,558,004
Effect of issue of securities to Goodman PLUS holders	39,334,150	45,944,104
Weighted average number of securities used in calculating diluted profit per security	**1,872,404,670**	**1,855,772,164**

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 profit/(loss) per share and a diluted profit/(loss) per share based on Goodman Limited's consolidated result after tax, but excluding the results attributable to GIT of $620.3 million (2016: $1,232.4 million), and GLHK of $216.0 million (2016: $174.1 million) and also the other non-controlling interests (Goodman PLUS) of $18.7 million (2016: $20.1 million).

	2017 ¢	2016 ¢
Loss per Company share		
Basic loss per Company share	(3.3)	(7.5)
Diluted loss per Company share	(3.3)	(7.5)

The loss after tax used in calculating the basic and diluted loss per Company share was $58.2 million (2016: $131.9 million) and the weighted average number of securities used in calculating basic and diluted loss per Company share was 1,787,315,792 (2016: 1,770,270,056).

Results for the year continued

4. SEGMENT REPORTING

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia (which consists of China, Hong Kong and Japan), Continental Europe, United Kingdom and the Americas (North America and Brazil – reported on a combined basis).

The activities and services undertaken by the operating segments include:

+ property investment, including both direct ownership and Goodman's cornerstone investments in managed partnerships;
+ management activities, both fund and property management; and
+ development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for Goodman's managed partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, investment properties and the operating segment's investments in managed partnerships, but exclude intercompany funding, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude interest bearing liabilities, derivative financial instruments, provisions for distributions, income tax payables and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements for Goodman.

There are no intersegment transactions.

Information regarding the operations of each reportable segment is included below.

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
Income statement	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
External revenues												
Gross property income	142.0	176.1	1.3	2.5	9.3	11.6	4.5	8.2	20.0	6.2	177.1	204.6
Management income	99.3	107.2	110.7	78.2	44.8	45.7	9.2	27.2	2.3	1.0	266.3	259.3
Development income	249.5	179.2	52.0	42.5	816.9	889.4	73.0	107.6	15.7	31.7	1,207.1	1,250.4
Total external revenues	**490.8**	**462.5**	**164.0**	**123.2**	**871.0**	**946.7**	**86.7**	**143.0**	**38.0**	**38.9**	**1,650.5**	**1,714.3**
Reportable segment profit before tax	**505.3**	**468.0**	**229.4**	**187.5**	**204.9**	**227.8**	**25.7**	**82.2**	**35.0**	**15.4**	**1,000.3**	**980.9**
Share of net results of equity accounted investments	326.1	437.2	174.6	285.0	56.0	76.2	(17.3)	75.2	48.3	55.0	587.7	928.6
Material non-cash items not included in reportable segment profit before tax												
Net gain/(loss) from fair value adjustments on investment properties	180.9	340.2	–	–	–	(9.0)	–	(3.4)	–	–	180.9	327.8
Impairment (losses)/reversals	–	(7.3)	–	–	0.2	(16.8)	(93.2)	(225.0)	–	–	(93.0)	(249.1)

Statement of financial position	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Reportable segment assets	**4,827.0**	**5,365.1**	**1,859.2**	**1,848.3**	**1,822.0**	**1,695.6**	**1,042.1**	**1,102.0**	**1,047.9**	**908.6**	**10,598.2**	**10,919.6**
Non-current assets	4,718.5	5,155.6	1,665.4	1,687.8	1,350.0	1,375.1	442.9	782.5	713.1	596.6	8,889.9	9,597.6
Included in reportable segment assets are:												
Investment properties	1,958.8	2,645.0	–	–	22.5	45.2	28.9	30.5	–	–	2,010.2	2,720.7
Investments accounted for using the equity method[1]	2,670.6	2,425.6	1,471.3	1,483.6	615.4	542.9	265.4	308.5	703.6	587.5	5,726.3	5,348.1
Reportable segment liabilities	**223.8**	**129.9**	**87.5**	**70.8**	**68.1**	**97.2**	**94.3**	**45.1**	**45.1**	**56.0**	**518.8**	**399.0**

1. Investments accounted for using the equity method in the United Kingdom included the investment in ABPP of $203.6 million, which was classified as held for sale at 30 June 2017 (refer to note 6(b)).

Results for the year continued

4. SEGMENT REPORTING CONTINUED

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

	Note	2017 $M	2016 $M
Revenues			
Total revenue for reportable segments		1,650.5	1,714.3
Consolidated revenues		**1,650.5**	**1,714.3**
Profit or loss			
Total profit before tax for reportable segments			
Property investment earnings		396.7	406.6
Management earnings		266.6	259.7
Development earnings		482.9	464.1
Operating expenses allocated to reportable segments		(145.9)	(149.5)
Reportable segment profit before tax		**1,000.3**	**980.9**
Corporate expenses not allocated to reportable segments		(102.3)	(102.2)
		898.0	**878.7**
Valuation and other items not included in reportable segment profit before tax:			
– Profit on disposal of investment properties		49.0	9.5
– Net gain from fair value adjustments on investment properties	6(e)	180.9	327.8
– Share of net gains from fair value adjustments attributable to investment properties in associates and JVs after tax		265.8	546.6
– Impairment losses	2	(93.0)	(249.1)
– Share of fair value adjustments on derivative financial instruments in associates and JVs		(50.6)	5.6
– Straight lining of rental income		(0.3)	(0.8)
– Restructure costs	2	(24.2)	–
– Share based payments expense	2	(85.4)	(66.9)
– Net capital losses not distributed and tax deferred adjustments		(9.6)	(68.1)
Profit before interest and tax		**1,130.6**	**1,383.3**
Net finance expense	11	(279.4)	(13.0)
Consolidated profit before income tax		**851.2**	**1,370.3**
Assets			
Assets for reportable segments		10,598.2	10,919.6
Cash		1,877.8	1,130.8
Other unallocated amounts[1]		235.2	336.7
Consolidated total assets		**12,711.2**	**12,387.1**
Liabilities			
Liabilities for reportable segments		518.8	399.0
Interest bearing liabilities		2,878.3	2,865.2
Provisions for distributions		236.2	197.4
Other unallocated amounts[1]		455.7	532.2
Consolidated total liabilities		**4,089.0**	**3,993.8**

1. Other unallocated amounts included other financial assets and liabilities, deferred tax assets, tax payables and provisions which did not relate to the reportable segments.

5. TAXATION

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not accounted for:

+ goodwill;
+ the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
+ differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets or liabilities in respect of investment properties held at fair value are calculated on the presumption that the carrying amount of the investment property will be recovered through sale. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from dividends/distributions are recognised at the same time as the liability to pay the related dividends/distributions.

GIT

Under current Australian income tax legislation, GIT is not liable for income tax, including capital gains tax, provided that Securityholders are presently entitled to the distributable income of GIT as calculated for trust law purposes.

Results for the year continued

5. TAXATION CONTINUED

	2017 $M	2016 $M
Current tax expense recognised in the income statement		
Current year	(54.1)	(54.2)
Adjustment for current tax in prior periods	5.3	0.4
Current tax expense	**(48.8)**	**(53.8)**
Deferred tax expense recognised in the income statement		
Origination and reversal of temporary differences	(5.6)	(21.8)
Deferred tax expense	**(5.6)**	**(21.8)**
Total income tax expense	**(54.4)**	**(75.6)**
(a) Income tax expense		
Profit before income tax	851.2	1,370.3
Prima facie income tax expense calculated at 30% (2016: 30%) on the profit before income tax	(255.4)	(411.1)
Decrease/(increase) in income tax due to:		
– Profit attributable to Unitholders	183.7	374.0
– Current year losses for which no deferred tax asset was recognised	(26.0)	(50.6)
– Non-deductible impairment losses and fair value movements	(5.5)	(66.5)
– Other non-assessable/(deductible) items, net	27.4	37.1
– Utilisation of previously unrecognised tax losses	13.1	61.0
– Difference in overseas tax rates	11.0	2.1
– Adjustment for current tax in prior periods	5.3	0.4
– Withholding tax on distributions from partnerships	(7.3)	(20.9)
– Other items	(0.7)	(1.1)
Income tax expense	**(54.4)**	**(75.6)**

	2017 $M	2016 $M
(b) Net income tax payable		
Net balance at the beginning of the year	(61.2)	(29.3)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	46.3	19.5
– Current tax expense	(48.8)	(53.8)
– Other	2.2	2.4
Net balance at the end of the year	**(61.5)**	**(61.2)**
Current tax receivables (refer to note 7)	2.0	0.9
Current tax payables	(63.5)	(62.1)
	(61.5)	**(61.2)**

(c) Deferred tax assets and liabilities

Deferred tax assets/(liabilities) are attributable to the following:

	Net		Deferred tax assets		Deferred tax liabilities	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Investment properties	(95.6)	(81.2)	–	4.0	(95.6)	(85.2)
Receivables	(6.5)	(6.5)	0.4	–	(6.9)	(6.5)
Tax losses	47.6	42.4	47.6	42.4	–	–
Payables	11.1	3.6	11.1	3.6	–	–
Provisions	7.7	9.3	7.7	9.3	–	–
Tax (liabilities)/assets	**(35.7)**	**(32.4)**	**66.8**	**59.3**	**(102.5)**	**(91.7)**
Set off of tax	–	–	(56.6)	(47.0)	56.6	47.0
Net tax (liabilities)/assets	**(35.7)**	**(32.4)**	**10.2**	**12.3**	**(45.9)**	**(44.7)**

Deferred tax assets of $308.9 million (2016: $295.5 million) in relation to tax losses have not been recognised by the Consolidated Entity.

OPERATING ASSETS AND LIABILITIES

The notes in this section focus on the Consolidated Entity's property assets, working capital and goodwill and intangible assets.

6. PROPERTY ASSETS

(a) Types of property assets

Goodman's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in managed partnerships (both associates and JVs).

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business. Where property developments are forecast to be completed and sold more than 12 months after the balance date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes.

Inventories are carried at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

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

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial report.

Investment property carrying values include the costs of acquiring the assets and subsequent costs of development, including costs of all materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development periods.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classed as being under development and would be completed properties that are leased or are available for lease to Goodman's customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to ensure they reflect the fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to the Consolidated Entity obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

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

	Note	2017 $M	2016 $M
Inventories			
Current	6(d)	709.7	687.0
Non-current	6(d)	525.8	688.8
		1,235.5	**1,375.8**
Investment properties			
Stabilised investment properties		1,833.8	2,552.5
Investment properties under development		176.4	168.2
	6(e)	**2,010.2**	**2,720.7**
Investments accounted for using the equity method			
Current			
– Associate – held for sale	6(f)(i)	203.6	–
		203.6	**–**
Non-current			
– Associates	6(f)(i)	3,703.4	3,733.0
– JVs	6(f)(ii)	**1,819.3**	**1,615.1**
		5,522.7	**5,348.1**
Total property assets		**8,972.0**	**9,444.6**

(c) Estimates and assumptions in determining property carrying values

Inventories

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

Investment properties

Stabilised investment properties

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

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in managed partnerships.

Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Recent and relevant sales evidence and other market data are taken into account. Valuations are either based on an external, independent valuation or on an internal valuation.

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:

+ function of the asset (distribution/warehouse or suburban office);
+ location of asset (city, suburb or regional area);
+ carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
+ categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure, and/or there has been a change in use (or zoning) of the asset and/or it has been three years since the previous external, independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

Where a market segment is observed to be inactive, then no external, independent valuations are performed and internal valuations are undertaken based on discounted cash flow (DCF) calculations. The DCF calculations are prepared over a 10 year period. The key inputs considered for each individual calculation are rental growth rates, discount rates, market rental rates and letting up incentives. Discount rates are computed using the 10 year bond rate or equivalent in each jurisdiction plus increments to reflect country risk, tenant credit risk and industry risk. Where possible, the components of the discount rate are benchmarked to available market data.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

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

Market assessment

At 30 June 2017, all markets in which Goodman operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. The overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are as set out in the table below:

	Total portfolio weighted average capitalisation rate	
Division	**2017 %**	**2016 %**
Australia[1]	6.1	6.7
New Zealand	6.5	7.0
Hong Kong	5.2	5.4
China[2]	6.3	6.5
Japan	4.7	4.9
Continental Europe	6.0	6.3
United Kingdom	6.3	6.9
North America	4.3	4.5

1. Excludes urban renewal sites which are valued on a rate per residential unit site basis.
2. In order to align with current practice, the capitalisation rate for the China portfolios has been presented net of property taxes. In prior periods, the rates were presented gross and the gross capitalisation rate for China at 30 June 2016 was 8.1%.

During the current financial year, the fair values of 100% (2016: 99%) of these stabilised investment properties held directly by Goodman (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For Goodman's investments in managed partnerships, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

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

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

(d) Inventories

	2017 $M	2016 $M
Current		
Land and development properties	709.7	687.0
	709.7	**687.0**
Non-current		
Land and development properties	525.8	688.8
	525.8	**688.8**

During the financial year, impairments of $75.5 million (2016: $42.4 million) were recognised to write down land and development properties to net realisable value.

During the financial year, borrowing costs of $37.1 million (2016: $29.0 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal of the inventories.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	2017 $M	2016 $M
Carrying amount at the beginning of the year	2,720.7	2,906.0
Cost of acquisition:		
– Other acquisitions	-	37.0
Capital expenditure	96.7	67.5
Disposals:		
– Carrying value of properties disposed	(985.0)	(617.1)
Transfers (to)/from inventories	(1.1)	1.4
Net gain from fair value adjustments	180.9	327.8
Effect of foreign currency translation	(2.0)	(1.9)
Carrying amount at the end of the year	**2,010.2**	**2,720.7**
Analysed by segment:		
Australia and New Zealand	1,958.8	2,645.0
Continental Europe	22.5	45.2
United Kingdom	28.9	30.5
	2,010.2	**2,720.7**

During the financial year, borrowing costs of $38.5 million (2016: $3.4 million) previously capitalised into the carrying value of investment properties were expensed to the income statement on disposal of the investment properties.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(e) Investment properties continued

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation method used (see notes 1(f) and 6(c)). The majority of Goodman's directly held investment properties are in Australia and the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs, are summarised in the table below:

Valuation technique	Significant unobservable inputs	2017	2016
Income capitalisation	Range of net market rents (per square metre per annum)	$40 to $276	$40 to $300
	Capitalisation rate (weighted average)	6.11%	6.70%

The estimated fair value would increase if net market rents were higher and/or if capitalisation rates were lower. The estimated fair value would decrease if the net market rents were lower and/or if the capitalisation rates were higher.

In addition, there are assets in Sydney, NSW that have been rezoned for residential mixed use. Certain of these sites have seen significant value uplifts as a result of the change in zoning, with the valuations of these sites determined by reference to comparable sales data, as summarised in the table below:

Valuation technique	Significant unobservable input	2017	2016
Direct comparison	Sales price for comparable residential sites (rate per unit)	$200,000 to $250,000	$100,000 to $300,000

The Consolidated Entity leases out investment properties under operating leases. The weighted average lease expiry of Goodman's directly held investment properties in Australia is 5.1 years.

Non-cancellable operating lease commitments receivable from investment property customers

The analysis in the table below reflects the gross property income, excluding recoverable outgoings, based on the Consolidated Entity's existing lease agreements. It assumes that leases will not extend beyond the next review date, where the customer has an option to end the lease.

	2017 $M	2016 $M
Non-cancellable operating lease commitments receivable:		
– Within one year	105.8	128.7
– One year or later and no later than five years	267.3	315.3
– Later than five years	284.3	338.9
	657.4	**782.9**

(f) Investments accounted for using the equity method

Investments accounted for using the equity method comprise associates and JVs, which are collectively referred to as managed partnerships.

Associates

An associate is an entity in which the Consolidated Entity exercises significant influence but not control over its financial and operating policies. In the consolidated financial statements, investments in associates are accounted for using the equity method. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Under this method, the Consolidated Entity's share of post-acquisition gains or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in consolidated reserves. Cumulative post-acquisition movements in both profit or loss and reserves are adjusted against the cost of the investment.

JVs

A JV is an arrangement in which the Consolidated Entity has joint control, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the JVs' net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with associates and JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to associates and JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of an asset.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(i) Investments in associates

The Consolidated Entity's investments in associates are summarised below:

	2017 $M	2016 $M
Associates		
Current assets – held for sale	203.6	–
Non-current assets	3,703.4	3,733.0
	3,907.0	**3,733.0**

During the financial year, Goodman and its investors in ABPP commenced a process to sell their units in ABPP. At 30 June 2017, the Directors considered it appropriate to classify the Consolidated Entity's investment as held for sale and recorded an impairment of $17.5 million to write down the carrying value to the expected disposal price, net of selling costs.

The Consolidated Entity's associates are set out below:

		Share of net results		Ownership interest		Investment carrying amount	
Name of associate	Country of establishment	2017 $M	2016 $M	2017 %	2016 %	2017 $M	2016 $M
Property investment							
Goodman Australia Industrial Partnership (GAIP)	Australia	135.9	229.5	27.5	27.5	1,256.7	1,186.6
Goodman Australia Partnership (GAP)	Australia	100.4	131.1	19.9	19.9	628.1	549.8
Goodman Property Trust (GMT)[1]	New Zealand	40.2	43.5	21.0	20.7	342.8	313.7
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	49.3	182.4	20.0	20.0	748.1	754.9
Goodman Japan Core Partnership (GJCP)[2]	Japan	27.7	27.7	16.8	20.0	201.5	215.3
Goodman European Partnership (GEP)	Luxembourg	50.0	52.8	20.4	20.4	526.2	456.1
Arlington Business Parks Partnership (ABPP)	United Kingdom	(22.5)	67.3	43.1	43.1	203.6	256.6
		381.0	**734.3**			**3,907.0**	**3,733.0**

1. GMT is listed on the New Zealand Stock Exchange (NZX). The market value of the Consolidated Entity's investment in GMT at 30 June 2017 using the quoted price on the last day of trading was $315.1 million (2016: $327.3 million).
2. The consolidated ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

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

Movement in carrying amounts of investments in associates	2017 $M	2016 $M
Carrying amount at the beginning of the year	3,733.0	3,195.3
Share of net results after tax (before revaluations)	249.6	288.3
Share of fair value adjustments attributable to investment properties	182.3	439.1
Share of fair value adjustments on derivative financial instruments	(50.9)	6.9
Share of net results	381.0	734.3
Share of movements in reserves	0.6	(1.0)
Impairment	(17.5)	–
Acquisitions	79.8	76.6
Disposals	(3.2)	(18.8)
Distributions received and receivable	(203.7)	(303.4)
Effect of foreign currency translation	(63.0)	50.0
Carrying amount at the end of the year	**3,907.0**	**3,733.0**

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

The table below includes further information regarding the Consolidated Entity's associates held at the end of the financial year:

	GAIP		GAP		GMT		GHKLP		GJCP[2]		GEP	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Summarised statement of financial position												
Total current assets	630.8	595.9	226.0	464.3	27.0	59.1	227.8	325.8	102.9	86.2	191.9	185.0
Total non-current assets	5,991.6	5,864.0	3,326.7	3,397.2	2,430.5	2,433.1	4,504.8	4,367.6	1,926.3	1,925.6	4,271.2	3,642.8
Total current liabilities	326.6	171.9	124.8	134.1	68.0	26.6	81.6	84.7	15.5	92.6	170.0	132.1
Total non-current liabilities	1,789.4	2,040.3	273.3	988.3	787.0	981.1	917.0	840.5	822.6	844.2	1,709.6	1,456.0
Net assets (100%)	**4,506.4**	**4,247.7**	**3,154.6**	**2,739.1**	**1,602.5**	**1,484.5**	**3,734.0**	**3,768.2**	**1,191.1**	**1,075.0**	**2,583.5**	**2,239.7**
Consolidated ownership interest	27.5%	27.5%	19.9%	19.9%	21.0%	20.7%	20.0%	20.0%	16.8%	20.0%	20.4%	20.4%
Consolidated share of net assets	1,240.5	1,169.3	628.1	545.5	336.5	307.2	746.8	753.6	200.1	215.3	526.2	456.1
Capitalised costs	–	–	–	–	6.3	6.5	1.3	1.3	1.4	–	–	–
Distributions receivable[1]	16.2	17.3	–	4.3	–	–	–	–	–	–	–	–
Carrying amount of investment	1,256.7	1,186.6	628.1	549.8	342.8	313.7	748.1	754.9	201.5	215.3	526.2	456.1
Summarised statement of comprehensive income												
Revenue	402.5	464.1	264.4	308.1	137.1	129.9	245.8	237.8	331.5	177.4	242.8	242.0
Profit after tax and revaluations	493.6	842.7	504.5	658.6	192.6	219.6	246.4	911.9	146.1	139.5	247.8	262.9
Other comprehensive (loss)/income	(0.2)	0.5	(6.3)	4.5	–	–	–	–	–	–	–	–
Total comprehensive income (100%)	**493.4**	**843.2**	**498.2**	**663.1**	**192.6**	**219.6**	**246.4**	**911.9**	**146.1**	**139.5**	**247.8**	**262.9**
Distributions received and receivable by the Consolidated Entity	**65.7**	**68.2**	**22.1**	**60.8**	**16.8**	**14.8**	**29.9**	**17.4**	**36.5**	**21.2**	**32.7**	**33.4**

1. Distributions receivable related to distributions provided for but not paid by the associates at 30 June 2017. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.
2. The consolidated ownership interest in GJCP reflected the weighted average ownership interest in the various property investment vehicles.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs

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

		Share of net results		Ownership interest		Investment carrying amount	
Name of JV	Country of establishment/ incorporation	2017 $M	2016 $M	2017 %	2016 %	2017 $M	2016 $M
Property investment							
KWASA Goodman Industrial Partnership (KGIP)	Australia	38.8	28.1	40.0	40.0	158.3	213.5
Property development							
Goodman Japan Development Partnership (GJDP)	Japan	57.4	33.8	50.0	50.0	68.6	95.9
Property investment and development							
Goodman China Logistics Partnership (GCLP)	Cayman Islands	40.2	41.2	20.0	20.0	447.6	414.3
Goodman North America Partnership (GNAP)	USA	48.3	64.5	55.0	55.0	703.6	587.5
Other JVs		22.0	26.7			441.2	303.9
		206.7	**194.3**			**1,819.3**	**1,615.1**

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

Movement in carrying amount of investments in JVs	2017 $M	2016 $M
Carrying amount at the beginning of the year	1,615.1	1,313.5
Share of net results after tax (before revaluations)	122.9	88.1
Share of fair value adjustments attributable to investment properties	83.5	107.5
Share of fair value adjustments on derivative financial instruments	0.3	(1.3)
Share of net results	206.7	194.3
Share of movements in reserves	(15.4)	(14.1)
Acquisitions	298.2	421.2
Disposals	(3.4)	(73.8)
Transfer on reclassification as a controlled entity	–	(117.6)
Distributions/dividends received and receivable	(236.2)	(118.5)
Effect of foreign currency translation	(45.7)	10.1
Carrying amount at the end of the year	**1,819.3**	**1,615.1**

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

The table below includes further information regarding the Consolidated Entity's principal JVs held at the end of the financial year:

	KGIP		GJDP		GCLP[2]		GNAP	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	2.3	3.5	24.3	48.8	150.4	161.8	24.5	27.1
Other current assets	0.9	299.8	35.7	2.2	26.6	46.3	22.7	19.6
Total current assets	**3.2**	**303.3**	**60.0**	**51.0**	**177.0**	**208.1**	**47.2**	**46.7**
Total non-current assets	**639.5**	**548.6**	**250.9**	**412.0**	**2,752.8**	**2,399.9**	**1,286.9**	**1,038.5**
Current liabilities								
Financial liabilities	–	–	0.2	0.2	–	–	–	–
Other current liabilities	28.5	11.9	0.9	27.5	1,863.9	1,780.2	62.1	24.8
Current liabilities	**28.5**	**11.9**	**1.1**	**27.7**	**1,863.9**	**1,780.2**	**62.1**	**24.8**
Non-current liabilities								
Financial liabilities	215.0	300.0	178.6	244.7	394.0	306.8	–	0.7
Other non-current liabilities	3.4	6.2	1.7	4.0	152.7	94.7	0.9	–
Total non-current liabilities	**218.4**	**306.2**	**180.3**	**248.7**	**546.7**	**401.5**	**0.9**	**0.7**
Net assets (100%)	**395.8**	**533.8**	**129.5**	**186.6**	**519.2**	**426.3**	**1,271.1**	**1,059.7**
Consolidated ownership interest	40.0%	40.0%	50.0%	50.0%	20.0%	20.0%	55.0%	55.0%
Consolidated share of net assets	158.3	213.5	64.8	93.3	103.8	85.3	699.1	582.8
Shareholder loan[1]	–	–	–	–	341.4	327.5	–	–
Capitalised costs	–	–	2.2	2.6	2.4	1.5	4.5	4.7
Distributions receivable	–	–	1.6	–	–	–	–	–
Carrying amount of investment	**158.3**	**213.5**	**68.6**	**95.9**	**447.6**	**414.3**	**703.6**	**587.5**
Summarised statement of comprehensive income								
Revenue	44.3	96.6	128.8	251.5	109.9	96.3	46.3	13.9
Interest income	0.1	0.1	–	–	0.9	1.0	–	–
Interest expense	(5.1)	(12.3)	–	(0.2)	(15.6)	(14.2)	(0.2)	(0.1)
Income tax expense	–	–	(13.7)	(0.1)	(9.0)	(15.5)	(0.1)	(0.1)
Profit after tax and revaluations	96.3	84.8	114.6	67.7	201.5	205.9	87.9	117.4
Other comprehensive income/(loss)	0.7	(3.1)	–	–	–	–	–	–
Total comprehensive income (100%)	**97.0**	**81.7**	**114.6**	**67.7**	**201.5**	**205.9**	**87.9**	**117.4**
Distributions/dividends received and receivable by the Consolidated Entity	**94.0**	**14.1**	**100.2**	**76.7**	**3.4**	**4.3**	**17.2**	**2.0**

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the Directors consider the loan to form part of the Consolidated Entity's investment in GCLP.
2. The comparative information for GCLP has been restated to conform to the current year's presentation. Shareholder loans have been included under other current liabilities and separately identified in the carrying amount of interest in JV.

For other JVs, the total profit after tax and revaluations is $94.8 million (2016: $126.8 million) and total other comprehensive income is $nil (2016: $nil).

Operating assets and liabilities continued

7. RECEIVABLES

Receivables comprise trade and other receivables and loans to related parties and are recognised on the date that they are originated, initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Consolidated Entity derecognises a receivable when the contractual rights to the cash flows from the receivable expire or it transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

	Note	2017 $M	2016 $M
Current			
Trade receivables		33.2	36.5
Tax receivables		2.0	0.9
Other receivables		421.4	299.0
Amounts due from related parties	22	92.1	64.7
Loans to related parties	22	3.3	3.0
		552.0	**404.1**
Non-current			
Loans to related parties	22	32.2	31.9
Other receivables		2.6	2.4
		34.8	**34.3**

8. PAYABLES

Trade and other payables are recognised initially at trade date fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

The Consolidated Entity derecognises trade and other payables when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	2017 $M	2016 $M
Current		
Trade payables	61.2	71.2
Other payables and accruals	297.6	336.2
	358.8	**407.4**
Non-current		
Other payables and accruals	198.5	85.1
	198.5	**85.1**

Operating assets and liabilities continued

9. PROVISIONS

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

	Note	2017 $M	2016 $M
Current			
Distributions to Securityholders	15(b)	236.2	197.4
Other provisions		26.6	14.1
		262.8	**211.5**
Non-current			
Net defined benefit superannuation funds in the United Kingdom		35.1	34.1
Other provisions		11.4	9.3
		46.5	**43 .4**

10. GOODWILL AND INTANGIBLE ASSETS

The Consolidated Entity recognises both goodwill and indefinite life management rights in its statement of financial position.

Goodwill

Goodwill arising on the acquisition of controlled entities is stated at cost less any accumulated impairment losses (refer below). No amortisation is provided.

Management rights

When the Consolidated Entity acquires fund and/or asset management activities as part of a business combination, management rights are recorded where they arise from contractual or other legal rights, and the fair value can be measured reliably.

Management rights are stated at cost less impairment. The Consolidated Entity's management rights are not amortised as they are assumed to have an indefinite life given they are routinely renewed at minimal cost.

Impairment

The carrying amounts of the Consolidated Entity's goodwill and management rights are tested annually for impairment. For the purpose of impairment testing, goodwill and management rights are allocated to the related cash-generating units monitored by management. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Recoverable amount is the greater of the fair value (net of disposal costs) and the value in use but given that goodwill and management rights are not frequently traded (i.e. fair value is difficult to ascertain), the recoverable amount will be equal to the value in use of the cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the goodwill allocated to the cash-generating unit, then to the carrying amount of the management rights allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss for management rights is reversed only to the extent that its carrying amount does not exceed its original cost.

A summary of the Consolidated Entity's goodwill and intangible assets are set out by below:

	2017 $M	2016 $M
Goodwill	671.5	678.1
Management rights	100.4	102.5
	771.9	**780.6**

The carrying value of goodwill and intangible assets is analysed by division in the table below:

Carrying amounts	2017 $M	2016 $M
Goodwill		
Continental Europe – Logistics	565.2	565.4
United Kingdom – Logistics	83.5	87.7
Other	22.8	25.0
Subtotal – goodwill	**671.5**	**678.1**
Management rights		
Continental Europe – Logistics	32.2	32.2
Other	68.3	70.3
Subtotal – management rights	**100.4**	**102.5**
Total	**771.9**	**780.6**

Operating assets and liabilities continued

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

A reconciliation of the movement in the cost of intangible assets during the financial year is set out below:

Cost	Balance at 1 July 2015 $M	Effect of foreign currency translation $M	Balance at 30 June 2016 $M	Effect of foreign currency translation $M	Balance at 30 June 2017 $M
Goodwill					
Continental Europe – Logistics	557.2	15.3	572.5	(0.2)	572.3
United Kingdom – Logistics	145.2	(18.4)	126.8	(6.1)	120.7
Other	28.3	3.8	32.1	(2.2)	29.9
Subtotal – goodwill	**730.7**	**0.7**	**731.4**	**(8.5)**	**722.9**
Management rights					
Continental Europe – Logistics	31.3	0.9	32.2	–	32.2
United Kingdom – Business Parks	213.0	(27.0)	186.0	(9.2)	176.8
Other	77.9	3.0	80.9	(2.1)	78.8
Subtotal – management rights	**322.2**	**(23.1)**	**299.1**	**(11.3)**	**287.8**
Total	**1,052.9**	**(22.4)**	**1,030.5**	**(19.8)**	**1,010.7**

A reconciliation of the movement in the impairment losses during the financial year is set out below:

Impairment losses	Balance at 1 July 2015 $M	Impairment charge $M	Effect of foreign currency translation $M	Balance at 30 June 2016 $M	Effect of foreign currency translation $M	Balance at 30 June 2017 $M
Goodwill						
Continental Europe – Logistics	6.9	–	0.2	7.1	–	7.1
United Kingdom – Logistics	44.8	–	(5.7)	39.1	(1.9)	37.2
Other	6.9	–	0.2	7.1	–	7.1
Subtotal – goodwill	**58.6**	**–**	**(5.3)**	**53.3**	**(1.9)**	**51.4**
Management rights						
United Kingdom – Business Parks	7.6	204.6	(26.2)	186.0	(9.1)	176.9
Other	10.3	–	0.3	10.6	(0.1)	10.5
Subtotal – management rights	**17.9**	**204.6**	**(25.9)**	**196.6**	**(9.2)**	**187.4**
Total	**76.5**	**204.6**	**(31.2)**	**249.9**	**(11.1)**	**238.8**

Impairments and reversals of impairments

There were no impairment losses in the current financial year (2016: $204.6 million) and there have been no reversals of impairment losses during either the current or prior financial year.

During the prior financial year, Goodman impaired its United Kingdom – Business Parks management rights (associated with ABPP) by $204.6 million to $nil as the investors in ABPP had agreed to sell all the remaining assets and wind up the partnership.

Operating assets and liabilities continued

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Impairment testing for intangible assets

The carrying values of both goodwill and indefinite life management rights are assessed for impairment annually. For the purpose of impairment testing, goodwill and indefinite life management rights are allocated to the Goodman divisions that represent the lowest level within Goodman at which the goodwill and indefinite life management rights are monitored for internal management purposes. Where goodwill and management rights arise in the same division, impairment testing has been performed on the combined intangible asset.

The impairment tests for all intangible assets are based on each division's value in use. Value in use is determined by discounting the future cash flows generated from continuing operations. These cash flows are based on both investment and development forecasts and then estimating a year five terminal value using a terminal growth rate and the division's discount rate.

The estimation of future cash flows requires assumptions to be made regarding uncertain future events. The cash flows associated with management rights require management to make assumptions regarding the period over which the future fee income streams continue to be received, the likelihood of renewal at minimal cost of contractual agreements to manage partnerships, and the future financial performance of the managed partnerships which generate those future fee income streams. The cash flows associated with goodwill are often similar to management rights but may also include cash flows from other development activities undertaken by the businesses acquired.

One of the key assumptions in relation to the impairment testing for each intangible asset balance is that the Consolidated Entity's management contracts are assessed to have an indefinite life given that these contracts have been typically renewed at minimal cost and on broadly similar financial terms. Management considers that the indefinite life assumption remains appropriate for all of Goodman's goodwill and management rights other than United Kingdom – Business Parks.

A summary of the other key assumptions for those divisions where the carrying amount of goodwill or indefinite life management rights was significant in comparison with the Consolidated Entity's total carrying amount of intangible assets is set out below.

All amounts were calculated in local currency and translated to Australian dollars at the closing exchange rate at the end of the financial period. Averages related to average amounts over the five year forecast period.

		Continental Europe – Logistics	United Kingdom – Logistics
Value in use (A$M)[1]	2017	949.3	269.2
	2016	803.9	286.1
Pre-tax discount rate (pa)	2017	11.5%	9.4%
	2016	11.2%	10.0%
Average annual development (million square metres)	2017	0.70	0.25
	2016	0.70	0.25
Average annual growth in assets under management (AUM)[2]	2017	7.8%	46.1%
	2016	8.0%	52.1%
Average annual increase in operating expenses	2017	3.0%	0.8%
	2016	3.0%	0.8%

1. When assessing a potential impairment, the value in use was compared against the sum of the intangible asset balance and the plant and equipment balance for each division. The value in use balance was translated at the foreign currency exchange rate as at the end of the financial year.
2. AUM growth rate in United Kingdom – Logistics reflects the anticipated growth in Goodman UK Partnership (GUKP), which is supported by equity commitments to GUKP from Goodman and its investment partners.

Operating assets and liabilities continued

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Impairment testing for intangible assets continued

The key driver of value in respect of these intangible assets is the forecast level of and profitability of development activity and management income from managed partnerships, which is primarily related to the size of the managed partnerships.

Discount rates

The post-tax discount rates were determined using the capital asset pricing model, with individual assumptions referenced to market data, where available, and adjusting for specific factors associated with each division. A risk premium was included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division. The value in use was determined using the after-tax cash flows and the post-tax discount rates, with the discount rates then converted to the equivalent pre-tax rates.

Development activity and margins

Demand for modern, well-located industrial product in both Continental Europe and the United Kingdom continues to be driven by customers' desire to adopt more efficient distribution methods and the growth of e-commerce. Earnings forecasts for each division include projects which have not yet been contracted. The majority of developed product is expected to be sold to Goodman's managed partnerships although sales to third parties have also been assumed. Margins from development activity are expected to be consistent with those achieved historically.

Continental Europe – Logistics

The forecasts assume the development starts (by area) over the five year period are 0.7 million square metres each year, broadly consistent with historical performance. The estimated total cash outflow (from Goodman and its managed partnerships) required to finance the assumed development pipeline across the forecast period is A$0.7 billion per annum.

United Kingdom – Logistics

Investor demand is expected to remain strong for well-let assets with supply especially limited in core locations. The division's development activity over the next five years is forecast to be maintained at the existing levels of 0.3 million square metres per annum (on average). The estimated cash outflow (from Goodman and its managed partnerships) required to finance the assumed development pipeline across the forecast period is on average A$0.3 billion per annum.

Sources of funding for development activity

Capital inflows required to fund acquisitions and development activity in each division are assumed to arise from the following sources: equity investment directly into managed partnerships (including distribution reinvestment plans) by Goodman and its investment partners; the creation of new partnerships or other investment structures involving Goodman; lending facilities (general term facilities or construction financing facilities) advanced to managed partnerships; debt capital markets; customer funded turnkey developments; and proceeds from rotation of assets. It is not practicable to determine the percentage of the total which will flow from each source.

Funds available to Goodman and its investment partners are assumed to be sourced from available global markets and are not limited to lending markets in the regions to which the relevant intangible asset relates.

The cash flow forecasts have not assumed a downturn in earnings that might arise in the event of severe adverse conditions similar to those experienced by most markets during 2008 and 2009.

AUM

For Continental Europe – Logistics, the average annual increase in AUM of 7.8% (2016: 8.0%) over the forecast period is broadly consistent with the prior year forecasts and is a result of the ongoing development activity, albeit this is partly offset by the selective rotation of assets. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

For United Kingdom – Logistics, the forecasts assume that over the next five years, the division will increase its AUM from £101 million to approximately £671 million, as GUKP draws down committed equity from its investors to fund the expected development activity. For the purpose of the forecasts, capitalisation rates are expected to be stable over the period.

Operating expenses

Operating expenses in Continental Europe – Logistics and United Kingdom – Logistics are forecast to increase over the forecast period by an average of 3.0% per annum and 0.8% per annum respectively as the divisions increase AUM.

Assumptions impacting the terminal year

		Continental Europe – Logistics	United Kingdom – Logistics
Growth rate (pa)	2017	1.0%	1.3%
	2016	–	1.5%
Development in terminal year (million square metres)	2017	0.70	0.22
	2016	0.70	0.22
Development in terminal year (cost in A$B)	2017	0.68	0.28
	2016	0.65	0.29

Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast. For both Continental Europe – Logistics and United Kingdom – Logistics, the growth rate was based on the average consumer price indices over the past five years. For Continental Europe – Logistics, a weighted average was estimated based on the value of AUM for each of the countries in which Goodman operated.

The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed partnerships. The cost of developments in Australian dollars has remained relatively stable.

CAPITAL MANAGEMENT

The notes in this section focus on the Consolidated Entity's financing activities, capital structure and management of the financial risks involved.

11. NET FINANCE EXPENSE

Interest income and expense is recognised using the effective interest rate method.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

	2017 $M	2016 $M
Finance income		
Interest income from:		
– Related parties	0.8	0.2
– Other parties	22.4	8.3
Fair value adjustments on derivative financial instruments	–	106.1
Foreign exchange gain[1]	24.7	–
	47.9	**114.6**
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(111.6)	(161.9)
Debt modification expense[2]	(205.3)	–
Other borrowing costs	(11.5)	(14.6)
Fair value adjustments on derivative financial instruments	(45.6)	–
Foreign exchange loss[1]	–	(30.4)
Capitalised borrowing costs[3]	46.7	79.3
	(327.3)	**(127.6)**
Net finance expense	**(279.4)**	**(13.0)**

1. The foreign exchange gain included an amount of $25.5 million (2016: loss of $30.2 million) relating to unrealised gains/(losses) on translation of interest bearing liabilities which do not qualify for net investment hedging.
2. The debt modification expense was in respect of the par for par exchange of two tranches of notes in the United States 144A/Reg S bond market. In accordance with accounting standards, the expense in FY17 included transaction costs, amortisation of borrowing costs associated with the old notes and the fair value loss of $173.1 million on recognition of the new notes. The cash outflow during the year associated with the debt modification was $17.8 million.
3. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.1% and 6.7% per annum (2016: 2.5% and 7.0% per annum).

Capital management continued

12. INTEREST BEARING LIABILITIES

Interest bearing liabilities comprise bank loans, notes issued in the capital markets and private placements. Interest bearing liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method.

	Note	2017 $M	2016 $M
Current			
Secured:			
– Bank loans	12(a)	15.4	12.0
– Foreign securitised notes	12(b)	13.9	8.7
Borrowing costs		(0.5)	(0.4)
		28.8	**20.3**
Non-current			
Secured:			
– Bank loans	12(a)	43.9	52.9
– Foreign securitised notes	12(b)	120.7	85.9
Unsecured:			
– Bank loans	12(c)	238.6	306.5
– Euro medium-term notes	12(d)	423.6	445.4
– United States senior notes	12(e)	1,892.3	1,779.2
– Foreign private placements	12(f)	144.9	202.8
Borrowing costs		(14.5)	(27.8)
		2,849.5	**2,844.9**

(a) Bank loans, secured

Secured bank loans at 30 June 2017 are summarised as follows:

Facility maturity date	Facility limit $M	Amounts drawn $M
26 Sep 2023	36.0	36.0
10 Jan 2022	23.3	23.3
2017	**59.3**	**59.3**
2016	64.9	64.9

The secured bank loans relate to facilities funding the operations in Brazil. Repayments are made monthly and include capital and interest, with interest referenced to the benchmark rate ("Taxa Referencial") determined by the Central Bank of Brazil.

(b) Foreign securitised notes

Goodman owns entities in Brazil that have issued notes which are secured by properties and are non-recourse to the Consolidated Entity. As at 30 June 2017, the entity had A$134.6 million (BRL 341.8 million) of notes on issue, of which A$45.2 million expires on 10 January 2029 and A$89.4 million expires on 9 August 2030. The notes have ongoing monthly repayments of both capital and interest.

Capital management continued

12. INTEREST BEARING LIABILITIES CONTINUED

(c) Bank loans, unsecured

Facility maturity date	Facility limit $M	Amounts drawn $M
31 Jul 2020	50.0	–
31 Jul 2018	104.9	75.0
31 Jul 2021	130.2	–
30 Sep 2019	48.8	–
30 Sep 2019	37.5	–
31 Jul 2019	84.7	–
14 Apr 2021	152.0	–
31 Mar 2021	122.0	47.7
31 Mar 2019	30.0	–
31 Mar 2021	148.7	–
25 Sep 2019	92.7	40.6
29 Sep 2019	173.9	75.4
31 Mar 2021	173.9	–
2017	**1,349.3**	**238.6**
2016	1,564.3	306.5

The majority of the unsecured bank loans are multi-currency facilities. At 30 June 2017, the amounts drawn were A$122.7 million (2016: A$176.4 million) in New Zealand dollars and A$116.0 million (2016: A$130.1 million) in Japanese yen.

(d) Euro medium-term notes

As at 30 June 2017, the Consolidated Entity had on issue A$423.6 million (2016: A$445.4 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes are repayable on 16 July 2018. The notes are listed on the Singapore Stock Exchange and the market value of the notes using the quoted price at 30 June 2017 was A$461.1 million (2016: A$512.0 million).

(e) United States senior notes

As at 30 June 2017, the Consolidated Entity had notes on issue in the United States 144A/Reg S bond market as follows:

Notes maturity date	Book value A$M	Book value US$M	Face value A$M	Face value US$M	Coupon (fixed)
12 Nov 2020	423.3	325.0	423.3	325.0	6.375%
15 Apr 2021	732.4	562.4	651.1	499.9	6.375%
22 Mar 2022	736.6	565.6	651.0	499.9	6.000%
	1,892.3	**1,453.0**	**1,725.4**	**1,324.8**	

During the financial year, Goodman executed a par for par exchange in respect of the notes repayable in 2021 and 2022. The new notes had the same coupon, maturity and payment terms, but included amended covenants. In accordance with accounting standards, these new notes were reflected in the statement of financial position at fair value, determined by reference to the quoted price at the date of exchange.

(f) Foreign private placements

As at 30 June 2017, the Consolidated Entity had A$144.9 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon of 3.32% payable semi-annually and expires on 3 April 2023.

Capital management continued

12. INTEREST BEARING LIABILITIES CONTINUED

(g) Finance facilities

	Facilities available $M	Facilities utilised $M
At 30 June 2017		
Secured:		
– Bank loans	59.3	59.3
– Foreign securitised notes	134.6	134.6
Unsecured:		
– Bank loans	1,349.3	238.6
– Euro medium-term notes	423.6	423.6
– United States senior notes[1]	1,725.4	1,725.4
– Foreign private placements	144.9	144.9
– Bank guarantees[2]	–	42.0
	3,837.1	**2,768.4**
At 30 June 2016		
Secured:		
– Bank loans	64.9	64.9
– Foreign securitised notes	94.6	94.6
Unsecured:		
– Bank loans	1,564.3	306.5
– Euro medium-term notes	445.4	445.4
– United States senior notes	1,779.2	1,779.2
– Foreign private placements	202.8	202.8
– Bank guarantees[2]	–	38.0
	4,151.2	**2,931.4**

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

13. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and liabilities are recognised initially on the rade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

Derivative financial instruments and hedging

The Consolidated Entity uses derivative financial instruments to hedge its economic exposure to foreign exchange and interest rate risks arising from operating, investing and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for speculative trading purposes.

The Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly movements in the fair value of derivative financial instruments are recognised in the income statement.

Cash flow hedges

Certain of the Consolidated Entity's associates and JVs continue to designate derivative financial instruments as cash flow hedges for accounting purposes. The Consolidated Entity's share of the effective portion of changes in the fair value of derivative financial instruments in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	2017 $M	2016 $M
Current		
Derivative financial instruments	27.3	–
	27.3	**–**
Non-current		
Derivative financial instruments[1]	214.7	329.8
Investment in unlisted securities, at fair value	0.6	0.3
	215.3	**330.1**

1. Includes fair values of USD/EUR and USD/GBP cross currency interest rate swaps equating to $169.8 million (2016: $258.2 million) that hedge Goodman's net investments in Continental Europe and the United Kingdom.

Other financial liabilities

	2017 $M	2016 $M
Current		
Derivative financial instruments	158.4	0.1
	158.4	**0.1**
Non-current		
Derivative financial instruments	76.3	274.3
	76.3	**274.3**

Capital management continued

14. FINANCIAL RISK MANAGEMENT

The Directors have ultimate responsibility for Goodman's financial risk management (FRM) processes and have established policies, documented in the FRM policy document, to manage the Consolidated Entity's exposure to financial risks and to utilise capital in an efficient manner.

The Group Investment Committee is Goodman's primary forum where recommendations regarding capital allocation and financial risk management (in accordance in the FRM policy) are discussed and approved. The Group Investment Committee meets every week during the financial year.

Goodman's treasury function is responsible for preparing the following reports for consideration at each of the Consolidated Entity's Board meetings:

+ analysis of capital allocation and funding requirements against the Consolidated Entity's gearing constraint;
+ analysis of the Consolidated Entity's liquidity and funding position;
+ analysis of the Consolidated Entity's debt maturity profile;
+ a review of all the hedge exposures and the completed hedges;
+ compliance with the Consolidated Entity's hedging policy and recommendations for future hedging strategies; and
+ full mark to market of all derivative positions.

Under the FRM policy, the Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are marked to market, with the movement in value recognised in profit or loss.

Capital management

The Consolidated Entity's principal capital management objectives are to maintain a strong capital base and provide funds for operating activities (including development expenditure), capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt and equity.

The Consolidated Entity is able to alter the capital mix by issuing new Goodman securities or hybrid securities, through the operation of a distribution reinvestment plan, adjusting the timing of development and capital expenditure and selling assets to reduce borrowings. Goodman also manages capital through its distribution policy in which distributions made to Securityholders are based on the greater of 60% of the Consolidated Entity's operating profit or taxable income of GIT.

Goodman monitors capital on the basis of both the gearing ratio and the weighted average cost of debt. Gearing is reviewed on a Consolidated Entity basis and the gearing ratio for the Consolidated Entity is calculated as the total interest bearing liabilities less cash as a percentage of the total assets excluding cash.

Goodman's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

Goodman is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, China, Japan, Continental Europe, the United Kingdom, North America and Brazil. Foreign exchange risk represents the loss that would be recognised from adverse fluctuations in currency prices against the Australian dollar as a result of the Consolidated Entity's net investment in foreign operations, future commercial transactions, and other foreign currency denominated assets and liabilities.

In managing foreign currency risks, the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

The Consolidated Entity's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same currency as the overseas investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and foreign exchange contracts (FEC).

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2017, the principal that was hedged, the weighted average exchange rates and the periods to expiry, by currency, are set out below:

	2017			2016		
CCIRS: AUD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
NZD payable	**NZD'M**	**A$M**	**AUD/NZD**	**NZD'M**	**A$M**	**AUD/NZD**
2–5 years	(100.0)	65.4	1.1674	(100.0)	65.4	1.1674
	(100.0)	**65.4**		**(100.0)**	**65.4**	
HKD payable	**HKD'M**	**A$M**	**AUD/HKD**	**HKD'M**	**A$M**	**AUD/HKD**
Less than 1 year	(600.0)	76.8	7.8145	–	–	–
1–2 year(s)	(940.0)	127.4	7.4011	–	–	–
2–5 years	(1,850.0)	325.2	5.6884	(3,390.0)	529.4	6.5396
	(3,390.0)	**529.4**		**(3,390.0)**	**529.4**	
EUR payable	**EUR'M**	**A$M**	**AUD/EUR**	**EUR'M**	**A$M**	**AUD/EUR**
Less than 1 year	(300.0)	388.5	0.7728	–	–	–
1–2 year(s)	(120.0)	152.7	0.7857	–	–	–
2–5 years	(285.0)	424.5	0.6715	(470.0)	616.7	0.7644
	(705.0)	**965.7**		**(470.0)**	**616.7**	
GBP payable	**GBP'M**	**A$M**	**AUD/GBP**	**GBP'M**	**A$M**	**AUD/GBP**
Less than 1 year	(50.0)	77.8	0.6427	–	–	–
1–2 year(s)	(80.0)	136.3	0.5869	–	–	–
2–5 years	–	–	–	(170.0)	282.2	0.6035
	(130.0)	**214.1**		**(170.0)**	**282.2**	

FEC: GBP receivable Expiry	**Amounts payable A$M**	**Amounts receivable GBP'M**	**Weighted average exchange rate GBP/AUD**	**Amounts payable A$M**	**Amounts receivable GBP'M**	**Weighted average exchange rate GBP/AUD**
Less than 1 year	(129.2)	65.0	1.9767	–	–	–
1 – 2 year(s)	–	–	–	(103.2)	50.0	2.0648
	(129.2)	**65.0**		**(103.2)**	**50.0**	

FEC: GBP receivable Expiry	**Amounts payable US$M**	**Amounts receivable GBP'M**	**Weighted average exchange rate GBP/USD**	**Amounts payable US$M**	**Amounts receivable GBP'M**	**Weighted average exchange rate GBP/USD**
Less than 1 year	(160.0)	129.7	1.2332	–	–	–
	(160.0)	**129.7**		**–**	**–**	

FEC USD receivable Expiry	**Amounts payable CNY'M**	**Amounts receivable US$'M**	**Weighted average exchange rate USD/CNY**	**Amounts payable CNY'M**	**Amounts receivable US$'M**	**Weighted average exchange rate USD/CNY**
2 – 5 years	(1,614.6)	225.0	7.1759	(1,614.6)	225.0	7.1759
	(1,614.6)	**225.0**		**(1,614.6)**	**225.0**	

FEC EUR receivable Expiry	**Amounts payable US$M**	**Amounts receivable EUR'M**	**Weighted average exchange rate EUR/USD**	**Amounts payable US$M**	**Amounts receivable EUR'M**	**Weighted average exchange rate EUR/USD**
Less than 1 year	(215.0)	179.6	1.1983	–	–	–
	(215.0)	**179.6**		**–**	**–**	

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Foreign exchange risk continued

At 30 June 2017, Goodman's notes issued in the United States 144A/Reg S bond market created a foreign currency risk exposure. Goodman's policy is to minimise its exposure to foreign currency and exchange rate movements, and accordingly, Goodman has entered into both USD/EUR and USD/GBP CCIRS, to provide a capital hedge against assets denominated in EUR and GBP. Details of these CCIRS are set out below:

	2017			2016		
CCIRS: USD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
EUR payable	**EUR'M**	**USD'M**	**USD/EUR**	**EUR'M**	**USD'M**	**USD/EUR**
2–5 years	(302.7)	420.0	0.7207	(250.8)	355.0	0.7065
Over 5 years	–	–	–	(76.6)	100.0	0.7657
	(302.7)	**420.0**		**(327.4)**	**455.0**	
GBP payable	**GBP'M**	**USD'M**	**USD/GBP**	**GBP'M**	**USD'M**	**USD/GBP**
2–5 years	(100.2)	160.0	0.6261	(55.6)	90.0	0.6176
Over 5 years	–	–	–	(76.4)	120.0	0.6369
	(100.2)	**160.0**		**(132.0)**	**210.0**	

In the prior year, the foreign private placement in Japanese yen also created a foreign currency risk exposure. However, as the size of Goodman's investment in Japan has increased and the investment in the United Kingdom has decreased, the JPY/GBP CCIRS have been closed out to ensure Goodman stays within its capital hedge policy ranges.

	2017			2016		
CCIRS: JPY receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
GBP payable	**GBP'M**	**JPY'M**	**JPY/GBP**	**GBP'M**	**JPY'M**	**JPY/GBP**
Over 5 years	–	–	–	(85.9)	11,300.0	0.0076
	–	**–**		**(85.9)**	**11,300.0**	

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2016: 5%) stronger against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A$18.2 million (2016: A$21.9 million decrease). If the Australian dollar had been 5% (2016: 5%) weaker against all other currencies, with all other variables held constant, the profit attributable to Securityholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A$18.2 million (2016: A$21.9 million increase).

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Interest rate risk

Goodman's interest rate risk arises from variable rate borrowings and also fixed rate to floating rate CCIRS that hedge the currency risk associated with the USD denominated notes. The Consolidated Entity adopts a policy of ensuring that between 60% and 100% of its current year exposure to changes in interest rates on borrowings is on a fixed rate basis. The Consolidated Entity enters into interest rate swaps (IRS) to manage cash flow risks associated with the interest rates on borrowings that are floating. The IRS contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest.

As at 30 June 2017, the Consolidated Entity's interest rate risk exposure based on existing interest bearing liabilities and derivative financial instruments is set out below:

	Interest bearing liabilities A$M	Impact of derivatives CCIRS[1] A$M	Impact of derivatives IRS A$M	Net interest rate exposure A$M
30 June 2017				
Fixed rate liabilities	2,460.8	(755.4)	848.0	2,553.4
Floating rate liabilities	432.5	774.4	(848.0)	358.9
	2,893.3	**19.0**	**–**	**2,912.3**
30 June 2016				
Fixed rate liabilities	2,387.3	(893.0)	854.8	2,349.1
Floating rate liabilities	506.1	912.3	(854.8)	563.6
	2,893.4	**19.3**	**–**	**2,912.7**

1. The impact of the CCIRS amends the total borrowings exposure as a result of the difference in the foreign currency exchange rate between the contracted rate and the year end spot rate.

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that exist at the end of the financial year, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

	2017		2016	
Number of years post balance date	**Fixed interest rate exposure**	**Weighted average interest rate % per annum**	**Fixed interest rate exposure**	**Weighted average interest rate % per annum**
1 year	2,392.9	4.59	2,397.0	4.51
2 years	2,096.9	3.61	2,583.3	4.39
3 years	1,840.9	3.67	2,172.1	3.44
4 years	1,372.3	3.43	1,793.7	3.50
5 years	710.5	2.79	1,318.0	3.21

Sensitivity analysis

Based on the Consolidated Entity's interest bearing liabilities and derivative financial instruments at 30 June 2017, if interest rates on borrowings had been 100 basis points per annum (2016: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Securityholders for the financial year would have been A$3.6 million lower/higher (2016: A$5.6 million).

Price risk

The Consolidated Entity is not materially exposed to price risk.

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity to fund working capital, capital expenditure, investment opportunities, debt expiries and distributions. This is achieved through the monthly preparation of a three year cash flow forecast to understand the uses of funds and to identify potential shortfalls in funding. This allows the Consolidated Entity to plan for renewal of debt facilities, negotiation of new debt facilities, new issues of securities, including the distribution reinvestment plan, and other potential sources of funding.

Goodman's treasury function is responsible for reporting details of all debt maturities to the Board at its regular meetings. Goodman's treasury function is also responsible for reporting to the Board all the information and term sheets relating to any financing arrangements being contemplated or negotiated by the Consolidated Entity, for its review and approval.

The Consolidated Entity seeks to spread its debt maturities such that the total debt repayable in a single financial year does not exceed Board approved policy levels.

The contractual maturities of financial liabilities are set out below:

	Carrying amount $M	Contractual cash flows $M	Less than 1 year $M	1–2 years $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2017								
Non-derivative financial liabilities								
Payables	557.3	557.3	358.8	94.0	41.9	23.5	10.5	28.6
Bank loans, secured	59.3	59.3	15.4	–	–	–	–	43.9
Foreign securitised notes	134.6	134.6	13.9	–	–	–	–	120.7
Bank loans, unsecured[1]	238.6	238.6	–	75.0	115.9	47.7	–	–
Euro medium-term notes, unsecured	423.6	506.0	80.6	425.4	–	–	–	–
United States senior notes, unsecured	1,892.3	2,173.0	117.4	109.0	109.3	1,157.5	679.8	–
Foreign private placements, unsecured	144.9	174.3	6.1	4.9	4.9	4.9	8.6	144.9
Total non-derivative financial liabilities	**3,450.6**	**3,843.1**	**592.2**	**708.3**	**272.0**	**1,233.6**	**698.9**	**338.1**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(17.0)	(6.0)	(5.1)	–	(2.5)	1.9	(1.0)	0.7
Gross settled:[3]								
(Inflow)	–	(506.9)	(98.4)	(90.0)	(101.2)	(155.2)	(58.2)	(3.9)
Outflow	9.7	502.0	176.5	83.1	42.3	40.3	98.1	61.7
Total derivative financial (assets)/ liabilities – net	**(7.3)**	**(10.9)**	**73.0**	**(6.9)**	**(61.4)**	**(113.0)**	**38.9**	58.5
As at 30 June 2016								
Non-derivative financial liabilities								
Payables	492.5	492.5	407.4	65.7	1.9	7.5	10.0	–
Bank loans, secured	64.9	64.9	12.0	–	–	–	–	52.9
Foreign securitised notes	94.6	94.6	8.7	–	–	–	–	85.9
Bank loans, unsecured[1]	306.5	306.5	–	–	80.7	130.1	95.7	–
Euro medium-term notes, unsecured	445.4	575.8	85.1	43.4	447.3	–	–	–
United States senior notes, unsecured	1,779.2	2,367.7	135.5	112.4	112.4	112.8	1,193.5	701.1
Foreign private placements, unsecured	202.8	246.6	7.7	6.2	6.2	6.3	6.2	214.0
Total non-derivative financial liabilities	**3,385.9**	**4,148.6**	**656.4**	**227.7**	**648.5**	**256.7**	**1,305.4**	**1,053.9**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(20.7)	(5.1)	(10.0)	2.6	1.0	1.8	1.1	(1.6)
Gross settled:[3]								
(Inflow)	(34.7)	(539.7)	(94.7)	(97.2)	(77.0)	(81.6)	(144.9)	(44.3)
Outflow	–	489.4	39.9	203.9	103.1	36.9	38.7	66.9
Total derivative financial (assets)/ liabilities – net	**(55.4)**	**(55.4)**	**(64.8)**	**109.3**	**27.1**	**(42.9)**	**(105.1)**	**21.0**

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under the Consolidated Entity's revolving loan facilities.
2. Net settled includes IRS and FEC.
3. Gross settled includes CCIRS.

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is equal to the carrying amount.

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance. Bank guarantees are accepted from financial institutions which have an investment grade credit rating from a major rating agency.

Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is only transferred upon receipt of proceeds for the sale of those assets and typically Goodman will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

In relation to material bank deposits, the Consolidated Entity minimises credit risk by dealing with major financial institutions. The counterparty must have a long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

The credit risks associated with derivative financial instruments are managed by:

+ transacting with multiple derivatives counterparties that have a long-term investment grade credit rating;
+ utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below); and
+ formal review of the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

As the Consolidated Entity does not have any current legally enforceable right to offset, the fair values associated with derivative financial instruments have been presented gross in the statement of financial position. However, if a credit event occurred, the ISDA master netting off agreement would allow A$108.4 million (2016: A$124.1 million) of financial assets and financial liabilities in relation to the Consolidated Entity's derivative financial instruments to be offset.

(d) Fair values of financial instruments

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

	Note	Carrying amount 2017 $M	Fair value 2017 $M	Carrying amount 2016 $M	Fair value 2016 $M
Financial assets					
Cash and cash equivalents	17(a)	2,095.1	2,095.1	1,337.0	1,337.0
Receivables	7	586.8	586.8	438.4	438.4
Other financial assets:	13				
– IRS		29.5	29.5	57.4	57.4
– CCIRS		196.3	196.3	272.4	272.4
– FEC		16.2	16.2	–	–
– Investments in unlisted securities		0.6	0.6	0.3	0.3
		2,924.5	**2,924.5**	**2,105.5**	**2,105.5**
Financial liabilities					
Payables	8	557.3	557.3	492.5	492.5
Interest bearing liabilities[1]	12	2,878.3	2,982.9	2,865.2	3,097.6
Other financial liabilities:	13				
– IRS		12.5	12.5	36.8	36.8
– CCIRS		197.7	197.7	218.1	218.1
– FEC		24.5	24.5	19.5	19.5
		3,670.3	**3,774.9**	**3,632.1**	**3,864.5**

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2017.

Capital management continued

14. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Fair values of financial instruments continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 1(g)):

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2017				
Available for sale financial asset	–	–	0.6	0.6
Derivative financial assets	–	242.0	–	242.0
	–	**242.0**	**0.6**	**242.6**
Derivative financial liabilities	–	234.7	–	234.7
	–	**234.7**	**–**	**234.7**
As at 30 June 2016				
Available for sale financial assets	–	–	0.3	0.3
Derivative financial assets	–	329.8	–	329.8
	–	**329.8**	**0.3**	**330.1**
Derivative financial liabilities	–	274.4	–	274.4
	–	**274.4**	**–**	**274.4**

There were no transfers between the levels during the year.

Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by the Consolidated Entity consist of IRS, CCIRS and FEC.

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

15. DIVIDENDS AND DISTRIBUTIONS

Distributions are recognised when they are declared by the distributing entities and before deduction of any withholding tax. Any non-recoverable withholding tax is included in income tax.

(a) Dividends declared by the Company

Goodman Limited did not declare any dividends either during the financial year (2016: $nil) or up to the date of this report.

(b) Distributions declared and paid/payable by GIT

	Distribution cpu	Total amount $M	Date of payment
Distributions for the current financial year			
– 31 Dec 2016	12.7	227.2	24 Feb 2017
– 30 Jun 2017	13.2	236.2	28 Aug 2017
	25.9	**463.4**	
Distributions for the prior financial year			
– 31 Dec 2015	11.9	210.6	22 Feb 2016
– 30 Jun 2016	11.1	197.4	26 Aug 2016
	23.0	**408.0**	

Movement in provision for distributions to Securityholders

	2017 $M	2016 $M
Balance at the beginning of the year	197.4	194.6
Provisions for distributions	463.4	408.0
Distribution paid	(424.6)	(309.7)
Distribution reinvestment plan	–	(95.5)
Balance at the end of the year	**236.2**	**197.4**

(c) Dividends declared by GLHK

During FY17, GLHK declared and paid a final dividend of 1.0 cent per security amounting to $17.8 million (2016: $nil). This dividend was paid from the FY16 profit after tax and there is no current intention for GLHK to pay a dividend in respect of the FY17 result.

Capital management continued

16. ISSUED CAPITAL

(a) Ordinary securities

Ordinary shares

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to issues of ordinary shares and options are recognised as a deduction from equity, net of any tax effects.

	2017 Number of securities	2016 Number of securities	2017 $M	2016 $M
	2017	2016	2017	2016
Stapled securities – issued and fully paid	1,789,121,143	1,778,318,630	8,192.2	8,192.2
Less: Accumulated issue costs			(160.5)	(160.5)
Total issued capital			**8,031.7**	**8,031.7**

Terms and conditions

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

Movement in ordinary securities

Date	Details	Number of securities	Issue price $	GL $M	GIT $M	GLHK $M	Security-holders $M
30 Jun 2015	Balance before accumulated issue costs	1,753,035,922		482.5	6,990.8	623.4	8,096.7
26 Aug 2015	Distribution reinvestment plan	7,196,343	6.31	4.8	35.1	5.5	45.4
31 Aug 2015	Securities issued to employees under the LTIP	9,824,337	–	–	–	–	–
23 Sep 2015	Securities issued to employees under the Goodman Tax Exempt Plan	41,712	–	–	–	–	–
22 Feb 2016	Distribution reinvestment plan	8,220,316	6.09	7.3	36.7	6.1	50.1
30 Jun 2016	Balance before accumulated issue costs	1,778,318,630		494.6	7,062.6	635.0	8,192.2
31 Aug 2016	Securities issued to employees under the LTIP	10,802,513		–	–	–	–
	Less: Accumulated issue costs			(11.4)	(148.5)	(0.6)	(160.5)
30 Jun 2017	**Closing balance**	**1,789,121,143**		**483.2**	**6,914.1**	**634.4**	**8,031.7**

Capital management continued

16. ISSUED CAPITAL CONTINUED

(b) Share based payments

Share based payment transactions

The fair value of performance rights over securities at the grant date is expensed with a corresponding increase in the employee compensation reserve. The share based payments expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of performance rights for which the related service and non-market vesting conditions are expected to be met. The accumulated share based payments expense of performance rights which have vested or lapsed is transferred from the employee compensation reserve to retained earnings/(accumulated losses). The fair values of performance rights are measured at grant date using a combination of Black Scholes pricing models and Monte Carlo simulations.

LTIP

Performance rights issued under the LTIP entitle an employee to either acquire Goodman securities for $nil consideration or, in certain jurisdictions, to receive an amount in cash equal to the value of the securities, subject to the vesting conditions having been satisfied. Further details regarding the vesting conditions are included in the remuneration report section of the Directors' report.

During the year, the movement in the number of equity settled and cash settled performance rights under the LTIP was as follows:

	Number of rights	
	2017	2016
Outstanding at the beginning of the year	62,508,840	52,112,100
Granted	23,859,250	21,886,940
Exercised	(11,526,728)	(10,252,137)
Forfeited	(3,570,962)	(1,238,063)
Outstanding at the end of the year	**71,270,400**	**62,508,840**
Exercisable at the end of the year	**–**	**–**

The model inputs for performance rights awarded during the current financial year included the following:

	Rights issued on 30 Sep 2016
Fair value at measurement date ($)	5.64
Security price ($)	7.28
Exercise price ($)	–
Expected volatility (%)	15.94
Rights' expected weighted average life (years)	3.9
Dividend/distribution yield per annum (%)	3.95
Average risk free rate of interest per annum (%)	1.80

The fair value of services received in return for performance rights granted under the LTIP is measured by reference to the fair value of the performance rights granted. The fair value of the performance rights granted during the year was measured as follows:

+ operating EPS tranche: these rights were valued as a granted call option, using the standard Black Scholes model with a continuous dividend/distribution yield; and
+ RTSR tranche: these rights were valued using a Monte Carlo model which simulated total returns for each of the ASX 100 stocks, and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance.

At 30 June 2017, a liability of $25.1 million (2016: $16.0 million) was recognised in relation to cash settled performance rights.

Goodman's New Zealand Long Term Incentive Plan

Under Goodman's New Zealand Long Term Incentive Plan, employees receive approximately half of their LTI in the form of performance rights over GMT units that vest subject to meeting performance hurdles based on the achievement of distributable earnings targets by GMT and the relative total unitholder return from holding GMT units compared to other NZX property vehicles. On vesting, delivery of units in GMT is made from units held by the Consolidated Entity or acquired on market.

OTHER ITEMS

The notes in this section sets out other information that is required to be disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

17. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand at the bank and short-term deposits at call. Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2017 $M	2016 $M
Bank balances	795.1	1,037.0
Call deposits	1,300.0	300.0
	2,095.1	**1,337.0**

(b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	2017 $M	2016 $M
Profit for the year	796.8	1,294.7
Items classified as investing activities		
Net gain on disposal of investment properties	(128.8)	(18.1)
Net (gain)/loss on disposal of controlled entiites	(0.4)	2.3
Net loss on disposal of equity investments	0.1	42.5
Non-cash items		
Amortisation and depreciation	8.5	7.7
Share based payments expense	85.4	66.9
Net gain from fair value adjustments on investment properties	(180.9)	(327.8)
Impairment losses	93.0	249.1
Share of net results of equity accounted investments	(587.7)	(928.6)
Net finance expense	279.4	13.0
Income tax expense	54.4	75.6
	419.8	**477.3**
Changes in assets and liabilities during the year:		
– Increase in receivables	(139.4)	(95.3)
– Decrease in inventories	14.8	171.4
– Increase in other assets	(4.1)	(4.0)
– Increase in payables	13.4	68.7
– Increase/(decrease) in provisions	8.6	(6.8)
	313.1	**611.3**
Distributions/dividends received from equity accounted investments	440.4	421.5
Net finance costs paid, excluding cash outflow on debt modification	(120.8)	(183.2)
Net income taxes paid	(46.3)	(19.5)
Net cash provided by operating activities	**586.4**	**830.1**

(c) Non-cash transactions

During the current financial year, there were no significant non-cash transactions.

In the prior financial year, the Consolidated Entity's distribution reinvestment plan was active for the August 2015 and February 2016 distributions. In relation to these distributions, $95.5 million was made in the form of Goodman securities.

Other items continued

18. RESERVES

	Note	Consolidated 2017 $M	Consolidated 2016 $M
Asset revaluation reserve	18(a)	(6.1)	(5.3)
Cash flow hedge reserve	18(b)	(1.4)	(5.9)
Foreign currency translation reserve	18(c)	(149.4)	(28.2)
Employee compensation reserve	18(d)	131.6	102.5
Defined benefit funds actuarial losses reserve	18(e)	(31.4)	(30.3)
Total reserves		**(56.7)**	**32.8**

The reserves of the Consolidated Entity are apportioned below between the amounts Securityholders are entitled to by virtue of their shareholding in the Company, their unitholding in GIT and their CDIs over shares of GLHK:

	GL		GIT		GLHK		Securityholders	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
(a) Asset revaluation reserve								
Balance at the beginning of the year	(21.6)	(326.0)	28.2	191.3	(11.9)	(8.1)	(5.3)	(142.8)
(Decrease)/increase due to revaluation of other financial assets	–	(6.7)	(0.7)	6.6	–	–	(0.7)	(0.1)
Transfers to/from retained earnings/ (accumulated losses)	21.6	305.6	(33.5)	(170.1)	11.9	1.7	–	137.2
Effect of foreign currency translation	–	5.5	(0.1)	0.4	–	(5.5)	(0.1)	0.4
Balance at the end of the year	**–**	**(21.6)**	**(6.1)**	**28.2**	**–**	**(11.9)**	**(6.1)**	**(5.3)**
(b) Cash flow hedge reserve								
Balance at the beginning of the year	–	(0.1)	(5.9)	(4.9)	–	–	(5.9)	(5.0)
Change in value of financial instruments	–	–	1.3	(0.9)	–	–	1.3	(0.9)
Transfers to income statement	–	–	3.1	–	–	–	3.1	–
Effect of foreign currency translation	–	0.1	0.1	(0.1)	–	–	0.1	–
Balance at the end of the year	**–**	**–**	**(1.4)**	**(5.9)**	**–**	**–**	**(1.4)**	**(5.9)**
Refer to note 13 for the accounting policy relating to this reserve.								
(c) Foreign currency translation reserve								
Balance at the beginning of the year	17.3	(155.4)	(150.5)	21.8	105.0	104.9	(28.2)	(28.7)
Transfers to the income statement	–	34.3	–	–	–	–	–	34.3
Net exchange differences on conversion of foreign operations	(45.2)	138.4	(44.7)	(172.3)	(31.3)	0.1	(121.2)	(33.8)
Balance at the end of the year	**(27.9)**	**17.3**	**(195.2)**	**(150.5)**	**73.7**	**105.0**	**(149.4)**	**(28.2)**
Refer to note 1(c) for the accounting policy relating to this reserve.								
(d) Employee compensation reserve								
Balance at the beginning of the year	10.5	6.9	80.9	64.7	11.1	6.7	102.5	78.3
Equity settled share based payments expense	35.1	30.7	22.6	16.2	4.8	4.4	62.5	51.3
Transfers to retained earnings/ (accumulated losses)	(33.4)	(27.1)	–	–	–	–	(33.4)	(27.1)
Balance at the end of the year	**12.2**	**10.5**	**103.5**	**80.9**	**15.9**	**11.1**	**131.6**	**102.5**
Refer to note 16(b) for the accounting policy relating to this reserve.								
(e) Defined benefit funds actuarial losses reserve								
Balance at the beginning of the year	(30.3)	(34.2)	–	–	–	–	(30.3)	(34.2)
Actuarial losses on defined benefit superannuation funds	(2.5)	(0.4)	–	–	–	–	(2.5)	(0.4)
Effect of foreign currency translation	1.4	4.3	–	–	–	–	1.4	4.3
Balance at the end of the year	(31.4)	(30.3)	–	–	–	–	(31.4)	(30.3)
Refer to note 2 for the accounting policy relating to this reserve.								
Total reserves	**(47.1)**	**(24.1)**	**(99.2)**	**(47.3)**	**89.6**	**104.2**	**(56.7)**	**32.8**

Other items continued

19. RETAINED EARNINGS/(ACCUMULATED LOSSES)

The retained earnings/(accumulated losses) of the Consolidated Entity are apportioned below between the amounts Securityholders are entitled to by virtue of their shareholding in the Company, their unitholding in GIT and their CDIs over shares of GLHK:

	GL		GIT		GLHK		Securityholders	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Balance at the beginning of the year	(11.7)	398.7	(344.0)	(1,338.5)	358.7	186.3	3.0	(753.5)
(Loss)/profit for the year	(58.2)	(131.9)	620.3	1,232.4	216.0	174.1	778.1	1,274.6
Acquisition of non-controlling interest[1]	(11.9)	–	–	–	–	–	(11.9)	–
Transfers to/from asset revaluation reserve	(21.6)	(305.6)	33.5	170.1	(11.9)	(1.7)	–	(137.2)
Transfers from employee compensation reserve	33.4	27.1	–	–	–	–	33.4	27.1
Dividends/distributions paid/declared	–	–	(463.4)	(408.0)	(17.8)	–	(481.2)	(408.0)
Balance at the end of the year	**(70.0)**	**(11.7)**	**(153.6)**	**(344.0)**	**545.0**	**358.7**	**321.4**	**3.0**

1. During the financial year, Goodman acquired the remaining interest in the shares of a subsidiary it did not already own.

20. OTHER NON-CONTROLLING INTERESTS

Goodman PLUS Trust, a controlled entity of GIT, has on issue 3.27 million hybrid securities with a face value of $100 per security (Goodman PLUS) that met the definition of equity for the Consolidated Entity and were presented as other non-controlling interests at 30 June 2017. Goodman PLUS are preferred, perpetual non-call securities which are listed on the ASX. Distributions under Goodman PLUS are discretionary and payable quarterly on 31 March, 30 June, 30 September and 31 December at a margin of 3.90% per annum over the three month Bank Bill Swap Rate. During the financial year, distributions declared to holders of hybrid securities were $18.7 million (2016: $20.1 million), or 572.0 cents per unit (2016: 614.8 cents per unit).

For the year ended 30 June 2017, the movements in Goodman PLUS were as follows:

	2017 $M	2016 $M
Balance at the beginning of the year	325.8	325.8
Profit attributable to other non-controlling interests	18.7	20.1
Distributions paid and payable to holders of Goodman PLUS	(18.7)	(20.1)
Balance at the end of the year[1]	**325.8**	**325.8**

1. The non-controlling interest balance is net of issue costs.

On 12 July 2017, the Consolidated Entity notified Goodman PLUS unitholders of its intention to repurchase at par all the Goodman PLUS immediately following the payment of the coupon on 30 September 2017.

Other items continued

21. CONTROLLED ENTITIES

Controlled entities are entities controlled by the Company. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Consolidated Entity as at 30 June 2017 and the results of all such entities for the year ended 30 June 2017.

Where an entity either began or ceased to be controlled by the Company during the financial year, the results of that entity are included only from or to the date control commenced or ceased.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

The significant controlled entities of Goodman Limited are set out below:

Significant controlled entities	Country of establishment/incorporation
GIT Investments Holding Trust No.3	Australia
Goodman Australia Finance Pty Limited	Australia
Goodman Capital Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman PLUS Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust	Australia
Goodman Ultimo Trust	Australia
MAC Unit Trust	Australia
The Moorabbin Airport Unit Trust	Australia
Goodman Management Services (Belgium) NV	Belgium
Goodman Brasil Logistica S.A.	Brazil
Goodman Investimentos e Participações S.A.	Brazil
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	Cayman Islands
MGI HK Finance	Cayman Islands
Goodman Management Consulting (Beijing) Co. Ltd	China
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Hong Kong Investment Trust	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
ABPP Investment Jersey Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Management (Jersey) Limited	Jersey
GELF Management (Lux) Sàrl	Luxembourg
GJL Management Lux Sàrl	Luxembourg
Goodman Europe (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Meadow Logistics Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman Holdings (NZ) Limited	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman (Paihia) Limited	New Zealand
Goodman (Wynyard Precinct) Limited	New Zealand
Goodman Poland Sp zoo	Poland

Other items continued

21. CONTROLLED ENTITIES CONTINUED

Significant controlled entities	Country of establishment/incorporation
Goodman Galaxy Holding BV	The Netherlands
Goodman Eastside Locks UK Ltd	United Kingdom
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman Management USA Inc	United States
Goodman US Finance One, LLC	United States
Goodman US Finance Two, LLC	United States
Tarpon Properties REIT Inc	United States

22. RELATED PARTIES

The names of key management personnel of the Consolidated Entity at any time during the financial year are as follows:

Non-Executive Directors
Mr Ian Ferrier, AM
Mr Philip Fan
Mr John Harkness
Mr Stephen Johns
Ms Anne Keating
Ms Rebecca McGrath
Mr Phillip Pryke
Mr Jim Sloman, OAM

Executive Directors
Mr Gregory Goodman
Mr Anthony Rozic
Mr Philip Pearce[1]
Mr Danny Peeters
Other executives
Mr Nick Kurtis
Mr Nick Vrondas
Mr Jason Little.

1. Mr Philip Pearce ceased to be key management personnel effective 12 July 2016.

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Consolidated		Company[1]	
	2017 $M	2016 $M	2017 $M	2016 $M
Short-term employee benefits	7.1	8.5	–	–
Post-employment benefits	0.2	0.2	–	–
Equity compensation benefits	19.7	15.2	–	–
Long-term employee benefits	4.9	6.7	–	–
	31.9	**30.6**	**–**	**–**

1. The remuneration is paid by wholly-owned controlled entities of the Company.

Other items continued

22. RELATED PARTIES CONTINUED

Individual Directors' and executives' compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report.

Transactions with associates and JVs

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

	Revenue from disposals of investment properties		Revenue from management services and development activities		Interest charged on loans to related parties	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Associates	263.3	2.7	732.4	750.1	0.6	0.3
JVs	–	–	478.0	356.8	0.2	(0.1)

Amounts due from managed partnerships at 30 June 2017 were as follows:

	Amounts due from related parties[1]		Loans provided by Goodman[2]	
	2017 $M	2016 $M	2017 $M	2016 $M
Associates				
GAIP	12.8	6.9	–	–
GAP	6.4	2.6	–	–
GMT	4.0	10.8	–	–
GHKLP	7.0	9.4	–	–
GJCP	1.6	1.1	–	–
GEP	28.9	17.8	16.9	16.9
ABPP	1.4	1.7	–	–
	62.1	**50.3**	**16.9**	**16.9**
JVs				
GCLP	20.8	8.6	–	–
Other JVs	9.2	5.8	18.6	18.0
	30.0	**14.4**	**18.6**	**18.0**

1. Amounts due from related parties are either receivable within 30 days or on completion of the related development project.
2. Loans provided by Goodman to associates and JVs have been provided on an arm's length basis. At 30 June 2017, a shareholder loan of $16.9 million (2016: $16.9 million) has been provided to GEP and its controlled entities, and incurs interest at 6.9% per annum.

23. COMMITMENTS

	2017 $M	2016 $M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	17.0	18.9
– One year or later and no later than five years	38.7	47.1
– Later than five years	1.0	6.8
	56.7	**72.8**

Development activities

At 30 June 2017, the Consolidated Entity was also committed to expenditure in respect of $290.5 million (2016: $393.2 million) on inventories and other development activities.

Investment properties

At 30 June 2017, capital expenditure commitments on Goodman's existing investment property portfolio was $72.3 million (2016: $69.7 million).

Managed partnerships

At 30 June 2017, the Consolidated Entity has made an equity commitment of $96.2 million (2016: $89.7 million) into GEP.

In relation to GAIP and GEP, the Consolidated Entity offers limited liquidity facilities to investors, which allow the investors to sell to the Consolidated Entity some or all of their investment in the managed partnerships. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to $7.5 million of the issued capital of GAIP each quarter and EUR 25 million of the issued capital of GEP each half year. Furthermore, the Consolidated Entity is only required to purchase units where its co-investment in GAIP or GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman's interest (together with its custodian's interest) in GAIP and GEP is below the prescribed limit and both liquidity facilities are open for investors.

Other items continued

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:

+ $396.5 million (2016: $411.2 million) into GJDP;
+ $505.1 million (2016: $467.2 million) into GCLP;
+ $798.7 million (2016: $1,200.3 million) into GNAP;
+ $299.4 million (2016: $327.2 million) into GUKP; and
+ $nil (2016: $10.6 million) into other development partnerships.

24. AUDITORS' REMUNERATION

	2017 $000	2016 $000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	878.3	925.1
– Audit and review of financial reports (overseas KPMG firms)	966.2	934.9
	1,844.5	**1,860.0**
Other services		
– Other regulatory services (KPMG Australia)	47.7	30.8
– Other assurance services (KPMG Australia)	300.0	–
– Other advisory services (KPMG Australia)	154.6	35.0
– Other advisory services (overseas KPMG firms)	–	10.1
– Taxation compliance services (KPMG Australia)	170.8	–
– Taxation compliance services (overseas KPMG firms)	165.5	164.0
– Taxation advice (KPMG Australia)	36.1	34.1
– Taxation advice (overseas KPMG firms)	68.8	164.0
	943.5	**438.0**
Total paid/payable to KPMG	**2,788.0**	**2,298.0**
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	**108.9**	**188.2**

25. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2017, the parent company of the Consolidated Entity was Goodman Limited. The financial information for the Parent Entity is disclosed as follows:

	2017 $M	2016 $M
Result of the Parent Entity		
Dividends from investments	50.0	74.8
Other expenses	(1.0)	(7.6)
Interest expense	(46.1)	(55.9)
Foreign exchange (loss)/gain	(35.3)	41.9
(Loss)/profit before tax	**(32.4)**	**53.2**
Income tax (expense)/credit	(2.7)	17.0
(Loss)/profit for the year	**(35.0)**	**70.2**
Other comprehensive income for the year	–	–
Total comprehensive (loss)/income for the year	**(35.0)**	**70.2**
Financial position of the Parent Entity at year end		
Current assets	109.4	480.6
Total assets	1,743.2	1,703.4
Current liabilities	1,752.6	1,682.5
Total liabilities	1,752.6	1,682.5
Total equity of the Parent Entity comprising:		
Issued capital	728.8	728.8
Profits reserve	90.7	90.7
Employee compensation reserve	13.8	9.1
Accumulated losses	(842.7)	(807.7)
Total equity	**(9.4)**	**20.9**

Other items continued

25. PARENT ENTITY DISCLOSURES CONTINUED

The financial information for the Parent Entity has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities and managed partnerships

Investments in controlled entities and managed partnerships are accounted for at cost in the financial statements of Goodman Limited. Distributions/dividends received from managed partnerships are recognised in profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation

The Company is the head entity in a tax consolidated group comprising all Australian wholly-owned subsidiaries (this excludes GIT and its controlled entities). The head entity recognises all of the current tax assets and liabilities of the tax consolidated group (after elimination of intra-group transactions).

Financial guarantees

Where the Parent Entity has provided financial guarantees in relation to loans and payables of controlled entities for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Parent Entity capital commitments

At 30 June 2017, the Parent Entity had no capital commitments (2016: $nil).

Parent Entity contingencies

Capitalisation Deed Poll

The Company and certain of its wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 12(d)), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, repayable on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 12(e)), controlled entities of GIT had on issue US$325.0 million of notes repayable on 12 November 2020, US$499.9 million repayable on 15 April 2021 and US$499.9 million repayable on 22 March 2022. GL, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

Goodman PLUS guarantee

Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of the moneys owing under the terms of issue to the holders of Goodman PLUS (refer to note 20).

26. EVENTS SUBSEQUENT TO BALANCE DATE

On 12 July 2017, the Consolidated Entity notified Goodman PLUS unitholders of its intention to repurchase at par all the Goodman PLUS ($327.0 million) immediately following the payment of the coupon on 30 September 2017. There was no change in classification of Goodman PLUS or adjustment to the statement of financial position at 30 June 2017 as a result of this notification.

DIRECTORS' DECLARATION

GOODMAN LIMITED AND ITS CONTROLLED ENTITIES

In the opinion of the directors of Goodman Limited:

(a) the consolidated financial statements and the notes set out on pages 49 to 96 and the remuneration report that is contained on pages 22 to 43 in the Directors' report, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Ian Ferrier, AM
Independent Chairman

Gregory Goodman
Group Chief Executive Officer

Sydney, 21 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOODMAN LIMITED

KPMG

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the Financial Report of Goodman Limited as the deemed parent presenting the stapled security arrangement of the Goodman Group (the Goodman Group Financial Report).

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

+ giving a true and fair view of the Goodman Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
+ complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report of the Goodman Group comprises:

+ Consolidated statement of financial position as at 30 June 2017;
+ Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the year then ended;
+ Notes including a summary of significant accounting policies; and
+ Directors' Declaration.

The Goodman Group consists of Goodman Limited and the entities it controlled at the year end or from time to time during the financial year, Goodman Industrial Trust and the entities it controlled at the year end or from time to time during the financial year, and Goodman Logistics (HK) Limited and the entities it controlled at the year end or from time to time during the financial year. Shares in Goodman Limited, CDI's over shares in Goodman Logistics (HK) Limited and units in Goodman Industrial Trust are traded on the Australian Securities Exchange as a Stapled Security under the name of Goodman Group.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of Goodman Group and Goodman Limited in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The Key Audit Matters we identified for the Goodman Group are:

+ Recognition of development income;
+ Value of investment properties, investments accounted for using the equity method and inventories;
+ Recognition of management income and share of net results of equity accounted investments;
+ Value of intangible assets;
+ Value of derivative financial instrument assets and liabilities.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of development income ($1,207.1m)	
Refer to Note 2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Development income was a key audit matter due to its significant value (47% of Revenue), the volume of transactions and the judgements applied by us to assess the Goodman Group's determination of revenue recognised during the period in relation to contracts that remain in progress at period end. Development income comprises income from disposal of inventories, fee income from development management contracts and income from fixed price construction contracts. Income from development management services is recognised progressively, requiring judgment by us when considering the Goodman Group's determination of the amount and timing of the services provided based on contract deliverables. Income from fixed price construction contracts is recognised in proportion to the stage of completion of the relevant contracts. We focused on the stage of completion estimation which is based on costs incurred as a percentage of estimated total costs for each contract.	Our procedures included selecting a sample of development income recognised (in relation to contracts that remain in progress at period end) based on quantitative and qualitative information (such as the size and complexity of the arrangement) and performing the following procedures: + Understanding the underlying contractual arrangements, in particular their unique terms; + Where recognition of development income is conditional upon certain events occurring, check correspondence with external parties for evidence of achievement of conditions; + Assessing whether the Goodman Group's determination of revenue recognised during the period is in line with the provision of services or stage of completion; + For revenue recognised based on the stage of completion, assessing costs incurred to date and total forecast costs against project feasibilities and subcontractor progress claims.

KPMG

Value of Investment properties ($2,010.2m), Investments accounted for using the equity method ($5,5,22.7m) and Inventories ($1,235.5m)	
Refer to Note 6 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of property assets is a key audit matter as they are significant in value (being 69% of total assets) and contain assumptions with estimation uncertainty. These estimates lead to additional audit effort due to differing assumptions based on asset classes and geographies. The Goodman Group's investments in property assets include investment properties and inventories, which are held either directly or through its investments in managed partnerships. Valuations of property assets are performed using internal valuation methodologies or through the use of external valuation experts. The valuations of property assets include a number of significant assumptions and judgements: + Investment properties – capitalisation and discount rates, market rents, vacancy levels, lease incentive costs and development costs (for investment properties under development). + Inventories – forecast capitalisaton rates, market rents, letting up periods, lease incentive costs and development costs.	Our procedures included: + Understanding the Goodman Group's process regarding the valuation of assets; + Testing controls for preparing, reviewing and approving the valuations based on the Goodman Group's policies. We assessed these policies against the accounting standards. For a sample of investment properties: + Assessing the competence and objectivity of external independent valuation experts and internal valuers; + Challenging key assumptions including capitalisation and discount rates, market rents, vacancy levels, lease incentive costs and future development costs by comparing to commentary published by industry experts, recent market transactions and/or our knowledge of historical performance of the asset. For a sample of inventories: + Challenging the key assumptions included in the Goodman Group's internal recoverability assessments and valuations by corroborating to internal data and commentary published by industry experts, recent market transactions and/or our knowledge of historical performance of the asset.

Recognition of management income ($266.3m) and share of net results of equity accounted investments ($587.7m)	
Refer to Consolidated Income Statement	
The key audit matter	**How the matter was addressed in our audit**
The Goodman Group, in its capacity as an investment manager, has the ability to earn portfolio performance fees from its managed partnerships. There are two accounting considerations for the performance fees: + Performance fee income – fees received by the Goodman Group from managed partnerships; and + Performance fee expense – the Goodman Group's share of the expense recognised in the managed partnerships. Recognition of performance fee income and expense is considered a key audit matter due to the judgment involved in assessing the quantum of performance fees to be recognised and accrued at period end. The Goodman Group is entitled to receive performance fee income at a set date in the future with respect to certain managed partnerships. The managed partnerships of the Goodman Group are required to recognise performance fee expense when it is probable that an outflow of economic benefits will occur at a set date in the future. The performance fee expenses are calculated based on forecast returns made by the managed partnerships which require significant judgments to be made by the Goodman Group.	Our procedures included: + Reading agreements with managed partnerships to understand the key terms related to performance fees; + Evaluating the Goodman Group's methodology regarding the calculation of performance fee income and expenses against the criteria in the accounting standards; + For a sample of significant performance fees: – Assessing the Goodman Group's calculation of the performance fee income and expense based on our understanding of the underlying managed partnership agreements; – Assessing the probability that economic benefits will flow to the entity by understanding the Goodman Group's contractual entitlement to the fee and current and forecast partnership performance; – Challenging the key assumptions used in the Goodman Group's calculation of forecast returns by comparing with internal data and commentary published by industry experts, recent market transactions and/or our knowledge of historical performance of the asset.

KPMG

Value of intangible assets ($771.9m)	
Refer to Note 10 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2017 the Goodman Group's intangible assets comprised goodwill and management rights. The value of intangible assets was identified as a key audit matter as the Goodman Group's annual impairment assessment contains significant judgments involving forecasting and discounting future cash flows. The impairment assessment is based on each division's value in use. A value in use model incorporates significant judgment in respect of future conditions and assumptions such as discount rates, growth rates, the level and margins of ongoing development activity, sources of funding for development activity and forecast funds management income (which is primarily dependent on assets under management). We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: + Assessing the Goodman Group's determination of its cash generating units based on our understanding of the nature of the Goodman Group's business and the economic environment in which each division operates; + Understanding and assessing the Goodman Group's process and methodology to value intangible assets in light of the requirements of the accounting standards; + Understanding the Goodman Group's budgeting process to evaluate the assumptions upon which the cash flow forecasts are based; and + For divisions with significant intangible assets: – Evaluating the discount rates and growth rates used in the value in use models by comparing to publicly available data of comparable entities; – Assessing the ability of the Goodman Group to accurately forecast through comparison of previous forecasts to actual results; and – Perform a sensitivity analysis on the discount rates, growth rates and forecast assets under management.

Value of derivative financial instrument assets ($242.6m) and liabilities ($234.7m)	
Refer to Note 13 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Valuation of derivative financial instruments was a key audit matter due to the complex nature of the valuations. The Goodman Group uses derivative financial instruments to hedge its economic exposure to foreign exchange and interest rate risks. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: + Understanding the Goodman Group's processes and controls over the valuation of derivative financial instruments; + Selecting a sample of derivative financial instruments for testing using risk-based selection techniques; and + For the sample of derivative financial instruments selected, we worked with our valuation specialists and re-performed the valuations based on publicly available data and compared this to the Goodman Group's valuation.

KPMG

Other Information

Other Information is financial and non-financial information in Goodman Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report (including the Remuneration Report). The remaining sections of the Goodman Group's annual reporting including the Chairman's Letter, Group Chief Executive Officer's Report, Corporate Responsibility and Sustainability, Corporate Governance and Securities Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Goodman Limited are responsible for:

+ preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
+ implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
+ assessing the Goodman Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Goodman Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

+ to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
+ to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Goodman Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 22 to 43 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KPMG

KPMG

John Teer
Partner
Sydney

21 August 2017

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DIRECTORS' REPORT

The directors (Directors) of Goodman Funds Management Limited (Responsible Entity), the responsible entity for Goodman Industrial Trust (GIT, Trust or Parent Entity), present their Directors' report together with the consolidated financial report of GIT and the entities it controlled (Consolidated Entity) at the end of, or during, the financial year ended 30 June 2017 and the audit report thereon.

GIT is deemed to be a controlled entity of Goodman Limited (GL). In this consolidated financial report, GL and its controlled entities are referred to as Goodman Group.

GIT's units are stapled to both shares in GL and CHESS Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the year was property investment. There were no significant changes to the nature of the Consolidated Entity's activities during the year.

DIRECTORS

The Directors at any time during, or since the end of, the year were:

Directors	Appointment date
Mr Ian Ferrier, AM (Independent Chairman)	23 February 2005
Mr Gregory Goodman (Group Chief Executive Officer)	17 January 1995
Mr Philip Fan (Independent Director)	1 December 2011
Mr John Harkness (Independent Director)	1 September 2004
Mr Stephen Johns (Independent Director)	1 January 2017
Ms Anne Keating (Independent Director)	6 February 2004
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Philip Pearce (former Managing Director, Greater China)	Appointed 1 January 2013 (resigned 12 July 2016)
Mr Danny Peeters (Executive Director, Corporate)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Group Chief Executive Officer and Chief Executive Officer, North America)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 107 to 108 in this Directors' report.

COMPANY SECRETARY

The Company Secretary at any time during, or since the end of, the year was:

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 108 in this Directors' report.

DIRECTORS' MEETINGS

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

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
Directors	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Mr Ian Ferrier	11	11	4	4	3	3	–	–
Mr Gregory Goodman	11	11	–	–	–	–	–	–
Mr Philip Fan	11	11	4	4	–	–	4	4
Mr John Harkness	11	11	4	4	–	–	4	4
Mr Stephen Johns[2]	5	5	2	2	–	–	–	–
Ms Anne Keating	11	11	–	–	3	3	4	4
Ms Rebecca McGrath	11	10	–	–	3	3	4	4
Mr Philip Pearce[3]	–	–	–	–	–	–	–	–
Mr Danny Peeters	10	10	–	–	–	–	–	–
Mr Phillip Pryke	11	11	4	4	3	3	–	–
Mr Anthony Rozic	10	10	–	–	–	–	–	–
Mr Jim Sloman	11	11	–	–	3	3	4	4

1. Reflects the number of meetings individuals were entitled to attend.
2. Mr Stephen Johns was appointed as a Director on 1 January 2017.
3. Mr Philip Pearce resigned as a Director on 12 July 2016.

OPERATING AND FINANCIAL REVIEW

Goodman Group's strategy

Goodman Group's vision is to be a global leader in industrial property. This vision is executed through the integrated "own+develop+manage" business model, which is supported by five strategic "pillars". These pillars are:

+ **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, capital partners, suppliers and employees;
+ **Quality product and service** – deliver high quality product and customer service in key logistics markets globally by actively leveraging Goodman Group's industrial sector expertise, development and management experience and global operating platform;
+ **Culture and brand** – promote Goodman Group's unique and recognisable brand and embed Goodman Group's core values across each operating division to foster a strong and consistent culture;
+ **Operational efficiency** – optimise business resources to ensure effectiveness and drive efficiencies; and
+ **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

The performance of the Consolidated Entity, as represented by the results of its operations for the year, was as follows:

	2017 $M	2016 $M
Net property income	77.4	97.7
Share of operating results after tax (before revaluations) of equity accounted investments	231.4	244.4
Property investment earnings	**308.8**	**342.1**
Property valuations	408.7	767.4
Profit attributable to unitholders of GIT (Unitholders)	597.8	1,434.8
Total comprehensive income attributable to Unitholders	562.4	1,268.6

PROPERTY INVESTMENT

Property investment earnings comprise gross property income, net of property expenses, and the Consolidated Entity's share of operating results of equity accounted investments. The key drivers for maintaining or growing the Consolidated Entity's investment earnings are increasing the level of assets in partnerships (subject also to the Consolidated Entity's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, changes to rent levels and changes in financing arrangements.

Property investment earnings in FY17 of $308.8 million decreased by 9.7% compared to the prior year. The underlying property fundamentals in Goodman Group's global portfolio remain sound. Across the portfolios, Goodman Group leased 3.1 million sqm during FY17, which equates to $373.1 million of annual net property income. Positive rental reversions remained steady at 2.5% and occupancy of Goodman Group's properties was increased to 97%. Importantly, retention rates remained high at 81%, demonstrating the quality of the locations.

The decrease in property investment earnings was primarily due to the asset rotation programme that has continued into FY17. Goodman Group's strategy to selectively rotate assets to fund the development pipeline has seen over $7.0 billion of asset sales over the last three years, concentrating the portfolio in key gateway cities. During FY17, Goodman Group sold $2.6 billion of assets (excluding urban renewal), primarily in Australia, Japan, Continental Europe and the United Kingdom, and while asset sales will continue, the pace of sales is expected to moderate over time.

In addition to funding development activity, proceeds from asset rotation have reduced gearing for both Goodman Group and its managed partnerships. Goodman Group's weighted average capitalisation rate was 5.9% at 30 June 2017.

Urban renewal

During FY17, Goodman Group and its managed partnerships have received $1.2 billion of settlements in respect of urban renewal sites in Sydney. At the same time, there has been a continued focus on the planning and rezoning of future precincts and Goodman Group has maintained its potential pipeline across the Australian portfolio of 35,000 apartments.

Property valuations

The net gain from fair value adjustments on investment properties related to the Consolidated Entity's directly held investment properties in Australia.

Goodman Group's share of net gains from fair value adjustments attributable to investment properties in managed partnerships occurred in most regions due to both the quality of the property portfolios and the strength of the investment markets. During FY17, weighted average capitalisation rates for Goodman Group's property portfolios decreased from 6.4% to 5.9%.

STATEMENT OF FINANCIAL POSITION

	2017 $M	2016 $M
Stabilised investment properties	1,246.0	2,061.0
Cornerstone investments in partnerships	4,270.8	3,893.3
Development holdings	77.6	135.3
Loans to related parties	2,933.3	3,013.9
Cash	1,882.5	1,183.6
Other assets	277.0	365.9
Total assets	**10,687.2**	**10,653.0**
Interest bearing liabilities	2,576.3	2,584.3
Other liabilities	739.1	879.3
Total liabilities	**3,315.4**	**3,463.6**
Non-controlling interests	325.8	325.8
Net assets attributable to Unitholders	**7,046.0**	**6,863.6**

Stabilised investment properties

The value of stabilised investment properties has decreased by $815.0 million to $1,246.0 million, due primarily to asset disposals of $956.7 million partially offset by valuation uplifts of $159.3 million.

Cornerstone investments in partnerships

The value of cornerstone investments in partnerships has increased by $377.5 million to $4,270.8 million. The increase is driven primarily by valuations gains of $249.4 million arising from tightening of capitalisation rates and additional capital contributions of $273.7 million to fund acquisitions and developments, partly offset by distributions from the partnerships following asset disposals.

Loans to related parties

Loans to related parties are primarily loans to GL, GLHK and their controlled entities. The majority of interest bearing liabilities in Goodman Group is held by the Consolidated Entity which on-lends the proceeds to other members of Goodman Group to fund acquisitions and developments. Loans to related parties have decreased by $80.6 million to $2,933.3 million. The decrease is primarily due to the repayment of loans by GL and its controlled entities using the proceeds operating cash flows.

OPERATING AND FINANCIAL REVIEW CONTINUED

Cash and interest bearing liabilities

Interest bearing liabilities net of cash are $693.8 million compared to $1,400.7 million at 30 June 2016. The decrease is primarily due to the proceeds received from asset disposals.

ISSUED CAPITAL

The movement in units on issue in GIT during the year is set out below:

	2017 $M	2016 $M
Units on issue at the beginning of the year	1,778.3	1,753.0
Units issued	10.8	25.3
Units on issue at the end of the year	**1,789.1**	**1,778.3**

CAPITAL MANAGEMENT

During FY17, Goodman Group maintained its prudent approach to capital management consistent with the strategic aim of providing long-term operational and financial flexibility in order to absorb changes in market volatility.

On 7 June 2017, the Consolidated Entity completed a par for par exchange in respect of close to US$1.0 billion of notes issued in the United States 144A/Reg S market. The key changes to these notes, and also the majority of Goodman Group's other financing facilities, included tightening the leverage covenants and removing the unencumbered real property assets test. The accounting treatment of the par for par exchange resulted in a loss of $173.1 million due to the requirement to fair value the new notes, although the coupon and tenor of the notes were unchanged.

As part of the par for par exchange, Goodman Group reduced its gearing target range to 0%-25% from 25%-35%. This formalised another of Goodman Group's strategic aims, which has been to actively reduce leverage in recent years. At 30 June 2017, gearing was 5.9%, at the lower end of the target range.

These initiatives resulted in Goodman Group receiving a credit rating upgrade from both S&P (to BBB+) and Moody's (to Baa1).

At 30 June 2017, Goodman Group had cash of $2.1 billion, available liquidity of $3.2 billion and a weighted average debt maturity profile of 3.7 years, with debt maturities fully covered up to March 2022. As a consequence of this strong liquidity position, the distribution reinvestment plan (DRP) was not in operation during the year and the final declared dividend/distribution was 13.2 cents per security. The total distributions in relation to FY17 were 25.9 cents per security, with an interim distribution of 12.7 cents per security having been paid in February 2017. Furthermore, on 12 July 2017, Goodman Group announced its intention to repurchase the $327.0 million hybrid securities (Goodman PLUS) at par on 1 October 2017. At 30 June 2017, Goodman PLUS continued to be disclosed as a non-controlling interest.

OUTLOOK

The focused and consistent execution of Goodman Group's business strategy, has created a strong, globally diversified platform that will sustain earnings growth for future periods and create long-term value for Securityholders, customers and investment partners.

Goodman Group continues to see strong ongoing demand for prime industrial space across the portfolio and will maintain its disciplined strategy of investing in the large, wealthy consumer dominated cities around the world, where demand is strongest and scarcity of land will see higher valuation growth and returns over the long term. Asset rotation is likely to be an ongoing feature of the business; however, it is expected to moderate during FY18. The quality and location of the portfolios are expected to support future growth in gross property income in the managed partnerships.

DISTRIBUTIONS

The total distribution declared to Unitholders during the year was 25.9 cents per unit (2016: 23.0 cents per unit). Further details of distributions paid or declared during the year are set out in note 12 to the consolidated financial statements.

ENVIRONMENTAL REGULATIONS

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

INTERESTS OF THE RESPONSIBLE ENTITY

The Responsible Entity did not hold any units either directly or indirectly in the Consolidated Entity at any time during the year and up to the date of signature of the consolidated financial report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Responsible Entity is entitled to be indemnified out of the assets of the Trust. Current and former directors of the Responsible Entity are entitled to be indemnified under the constitution of the Responsible Entity. The directors of the Responsible Entity are also directors of GL. Deeds of Indemnity have been executed by GL, consistent with the Constitution of GL, in favour of each Director. The Deed indemnifies each Director to the extent permitted by law for liabilities (other than legal costs) incurred in their capacity as a director of GL, the Responsible Entity or other controlled entities of GL and, in respect of legal costs, for liabilities incurred in defending or resisting civil or criminal proceedings.

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

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

FEES PAID TO AND INTERESTS HELD BY RELATED ENTITIES AND DIRECTORS

Fees were paid or are payable to GL and its associated entities for services provided during the year. Details of these fees and the interests of the Responsible Entity and other related party information are set out in note 19 to the consolidated financial statements.

The relevant interest of each Director in Goodman Group stapled securities as notified by the Directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001 at the date of this Directors' report is as follows:

Directors	Number of securities	Number of performance rights
Non-Executive		
Mr Ian Ferrier	186,982	–
Mr Philip Fan	93,258	–
Mr John Harkness	70,030	–
Mr Stephen Johns	15,000	–
Ms Anne Keating	64,033	–
Ms Rebecca McGrath	31,821	–
Mr Phillip Pryke	100,880	–
Mr Jim Sloman	93,273	–
Executive		
Mr Gregory Goodman	37,983,175	6,301,370
Mr Danny Peeters	1,843,520	1,967,528
Mr Anthony Rozic	941,307	2,262,777

At 30 June 2017, Mr Anthony Rozic held 1,000 of the Goodman PLUS. None of the other Directors holds any relevant interests in Goodman PLUS.

NON-AUDIT SERVICES

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

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

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

Details of the amounts paid to the auditor of the Consolidated Entity, KPMG and its network firms, for the audit and non-audit services provided during the financial year are set out in note 21 to the consolidated financial statements.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY

BOARD OF DIRECTORS

Mr Ian Ferrier, AM – Independent Chairman
Member of the Audit Committee and Remuneration and Nomination Committee
Appointed 23 February 2005; Tenure 12 years, 4 months

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

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

Mr Gregory Goodman – Group Chief Executive Officer
Appointed 17 January 1995; Tenure 22 years, 5 months

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

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

Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and Compliance Committee
Appointed 1 December 2011; Tenure 5 years, 7 months

Philip was formerly an executive director and is now an independent non-executive director of Hong Kong Stock Exchange listed China Everbright International Ltd, a company which focuses on the business of environmental protection through the development and operation of numerous waste-to-energy and waste water treatment plants in China. Earlier in his career, he was an executive director of CITIC Pacific Ltd in charge of industrial projects in China. He is currently a director of the Hong Kong Stock Exchange listed Hysan Development Co Ltd, China Aircraft Leasing Group Holdings Limited and First Pacific Company Limited and an independent non-executive director of PFC Devices Inc.

Philip holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from Massachusetts Institute of Technology.

Mr John Harkness – Independent Director
Chairman of the Audit Committee
and Member of the Risk and Compliance Committee
Appointed 1 September 2004; Tenure 12 years, 10 months

John is a Fellow of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since leaving KPMG in June 2000, John has held a number of non-executive director roles. He is currently Chairman of Charter Hall Retail Management Limited (director since August 2003), the management company of Charter Hall Retail REIT. He is also Chairman of the Reliance Rail group (since 2011). John is a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army and the Chairman of the National Foundation for Medical Research and Innovation.

Mr Stephen Johns – Independent Director
Member of the Audit Committee
Appointed 1 January 2017; Tenure 0 years, 6 months

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

Ms Anne Keating – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 6 February 2004; Tenure 13 years, 5 months

Anne has 20 years of experience as a director of public companies. She is currently a director of GI Dynamics, Inc. (since June 2011) and The Garvan Institute of Medical Research. Anne is also the Chairman of Houlihan Lokey Australia Pty Ltd, the Australian arm of the global investment bank, Houlihan Lokey, based in Los Angeles. Anne was formerly a director of REVA Medical, Inc. (October 2010 to June 2017), Ardent Leisure Group (March 1998 to September 2014) and, prior to that, of Spencer Street Station Redevelopment Holdings Limited, Insurance Australia Group Limited, ClearView Wealth Limited and STW Limited.

Anne is also a Governor of the Cerebral Palsy Alliance Research Foundation and was, until May 2012, a trustee for the Centennial Park and Moore Park Trust. Her last executive position was as General Manager, Australia for United Airlines for nine years until 2001.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS AND COMPANY SECRETARY CONTINUED

Ms Rebecca McGrath – Independent Director
Chairman of the Risk and Compliance Committee and Member of the Remuneration and Nomination Committee
Appointed 3 April 2012; Tenure 5 years, 3 months

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

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

Mr Danny Peeters – Executive Director, Corporate
Appointed 1 January 2013; Tenure 4 years, 6 months

Danny has oversight of Goodman Group's European and Brazilian operations and strategy. Danny has been with Goodman Group since 2006 and has 18 years of experience in the property and logistics sectors. Danny is a director and/or a representative of Goodman Group's fund management entities, subsidiaries and partnerships in Europe and Brazil.

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

Mr Phillip Pryke – Independent Director
Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee
Appointed 13 October 2010; Tenure 6 years, 9 months

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

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

Mr Anthony Rozic – Deputy Chief Executive Officer and Chief Executive Officer, North America
Appointed 1 January 2013; Tenure 4 years, 6 months

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

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

Mr Jim Sloman, OAM – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 1 February 2006; Tenure 11 years, 5 months

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

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

COMPANY SECRETARY

Mr Carl Bicego – Goodman Group Head of Legal and Company Secretary

Appointed 24 October 2006

Carl is the Group Head of Legal and the Company Secretary of Goodman Limited. He has over 19 years of legal experience in corporate law and joined Goodman Group from law firm Allens in 2006. Carl holds a Master of Laws and Bachelor of Economics/ Bachelor of Laws (Hons).

RIGHTS OVER GOODMAN GROUP STAPLED SECURITIES

Details of the performance rights over Goodman Group stapled securities held by the Directors are set out below. None of the Non-Executive Directors held any rights over Goodman Group stapled securities. No rights have been granted since the end of the financial year.

Performance rights

	Number of performance rights granted	Date performance rights granted	% vested in prior years	% vested in the year	% forfeited	Financial years in which grant vests
Executive Directors						
Mr Gregory Goodman	2,400,000	30 Sep 2016	–	–	–	2020 – 2022
	2,000,000	25 Nov 2015	–	–	–	2019 – 2021
	995,476	20 Nov 2014	–	–	–	2018 – 2020
	947,368	22 Nov 2013	–	31.5	5.5	2017 – 2019
	927,152	16 Nov 2012	33.3	33.3	–	2016 – 2018
	980,000	25 Nov 2011	66.3	33.2	0.5	2015 – 2017
Mr Danny Peeters	600,000	30 Sep 2016	–	–	–	2020 – 2022
	450,000	25 Nov 2015	–	–	–	2019 – 2021
	497,738	20 Nov 2014	–	–	–	2018 – 2020
	421,053	22 Nov 2013	–	31.5	5.5	2017 – 2019
	463,576	12 Oct 2012	33.3	33.3	–	2016 – 2018
	520,000	30 Sep 2011	66.3	33.2	0.5	2015 – 2017
Mr Anthony Rozic	700,000	30 Sep 2016	–	–	–	2020 – 2022
	600,000	25 Nov 2015	–	–	–	2019 – 2021
	542,987	20 Nov 2014	–	–	–	2018 – 2020
	421,053	22 Nov 2013	–	31.5	5.5	2017 – 2019
	463,576	12 Oct 2012	33.3	33.3	–	2016 – 2018
	520,000	30 Sep 2011	66.3	33.2	0.5	2015 – 2017

UNISSUED SECURITIES UNDER OPTION

Unissued securities under option include the performance rights awarded to employees of Goodman Group under the Long Term Incentive Plan (LTIP).

At the date of this Directors' report, performance rights issued to employees under the LTIP and the applicable relative total securityholder return (TSR) or operating earnings per security (EPS) performance hurdles were:

Expiry date	Exercise price $	Number of performance rights[1]	Performance hurdles[2]
Sep 2021	–	20,375,200	Relative TSR (25%) and operating EPS (75%)
Sep 2020	–	17,571,239	Relative TSR (25%) and operating EPS (75%)
Sep 2019	–	13,482,643	Relative TSR (25%) and operating EPS (75%)
Sep 2018	–	7,479,126	Relative TSR (25%) and operating EPS (75%)
Sep 2017	–	3,641,244	Relative TSR (25%) and operating EPS (75%)

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited.
2. Performance hurdles are based on the results of Goodman Group.

EVENTS SUBSEQUENT TO BALANCE DATE

On 12 July 2017, the Consolidated Entity notified Goodman PLUS unitholders of its intention to repurchase at par all the Goodman PLUS ($327.0 million) immediately following the payment of the coupon on 30 September 2017. There was no change in classification of Goodman PLUS or adjustment to the statement of financial position at 30 June 2017 as a result of this notification.

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

DECLARATION BY GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board of the Responsible Entity that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2017 have been properly maintained and the financial report of the Consolidated Entity for the year ended 30 June 2017 complies with accounting standards and presents a true and fair view of the Consolidated Entity's financial condition and operational results. This statement is required annually.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 111 and forms part of this Directors' report for the year.

ROUNDING

The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in this Directors' report and the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

Ian Ferrier, AM
Independent Chairman

Sydney, 21 August 2017

Gregory Goodman
Group Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Goodman Funds Management Limited, as responsible entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

John Teer
Partner

Sydney, 21 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		Consolidated	
	Note	2017 $M	2016 $M
Current assets			
Cash and cash equivalents	14(a)	1,882.5	1,183.6
Receivables	6	1,737.5	3,016.0
Inventories	5(b)	23.1	22.2
Other financial assets	10	27.2	–
Other assets		4.7	5.8
Total current assets		**3,675.0**	**4,227.6**
Non-current assets			
Receivables	6	1,202.3	10.0
Inventories	5(b)	37.0	94.6
Investment properties	5(b)	1,263.5	2,079.5
Investments accounted for using the equity method	5(b)	4,270.8	3,893.3
Other financial assets	10	238.6	348.0
Total non-current assets		**7,012.2**	**6,425.4**
Total assets		**10,687.2**	**10,653.0**
Current liabilities			
Deferred income		–	0.4
Payables	7	93.1	327.9
Provision for distributions	12	236.2	197.4
Other financial liabilities	10	158.4	0.1
Total current liabilities		**487.7**	**525.8**
Non-current liabilities			
Payables	7	163.3	60.0
Interest bearing liabilities	9	2,576.3	2,584.3
Deferred tax liabilities	4	11.8	19.2
Other financial liabilities	10	76.3	274.3
Total non-current liabilities		**2,827.7**	**2,937.8**
Total liabilities		**3,315.4**	**3,463.6**
Net assets		**7,371.8**	**7,189.4**
Equity			
Issued capital	13	7,310.5	7,249.7
Reserves	15	(80.9)	(68.1)
Accumulated losses	16	(183.6)	(318.0)
Total equity attributable to Unitholders		**7,046.0**	**6,863.6**
Non-controlling interests	17	325.8	325.8
Total equity		**7,371.8**	**7,189.4**

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $M	2016 $M
Revenue and other income			
Gross property income		111.9	146.4
Income from disposal of inventories		–	1.2
Net gain from fair value adjustments on investment properties	5(e)	159.3	317.4
Net gain on disposal of investment properties	2	173.9	36.4
Net gain on disposal of controlled entities	2	0.1	2.1
Share of net results of equity accounted investments	2	431.3	699.6
Net gain on disposal of equity investments	2	0.9	27.2
Other income		0.5	0.9
		877.9	**1,231.2**
Property and other expenses			
Property expenses		(34.5)	(48.7)
Inventory cost of sales		–	(1.2)
Trust expenses		(48.7)	(38.9)
Impairment reversals	2	–	186.6
Other expenses		(2.2)	(2.3)
		(85.4)	**95.5**
Profit before interest and tax		**792.5**	**1,326.7**
Net finance income/(expense)			
Finance income	8	166.3	335.6
Finance expense	8	(348.2)	(185.8)
Net finance (expense)/income		**(181.9)**	**149.8**
Profit before income tax		**610.6**	**1,476.5**
Income tax credit/(expense)	4	5.9	(21.6)
Profit for the year		**616.5**	**1,454.9**
Profit attributable to Unitholders		**597.8**	**1,434.8**
Profit attributable to non-controlling interests	17	18.7	20.1
Profit for the year		**616.5**	**1,454.9**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $M	2016 $M
Profit for the year		**616.5**	**1,454.9**
Other comprehensive income/(loss) for the year			
Items that are or may be reclassified to profit or loss			
Increase due to revaluation of other financial assets	15(a)	4.9	6.6
Cash flow hedges:			
– Change in value of financial instruments	15(b)	4.4	(0.9)
Effect of foreign currency translation	15	(44.7)	(171.9)
Other comprehensive loss for the year, net of tax		**(35.4)**	**(166.2)**
Total comprehensive income for the year		**581.1**	**1,288.7**
Total comprehensive income attributable to:			
Unitholders		562.4	1,268.6
Non-controlling interests		18.7	20.1
Total comprehensive income for the year		**581.1**	**1,288.7**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

Year ended 30 June 2016
Consolidated

	Note	Attributable to Unitholders				Non-controlling interests $M	Total equity $M
		Issued capital $M	Reserves $M	Accumulated losses $M	Total $M		
Balance at 1 July 2015		**7,131.4**	**252.0**	**(1,514.9)**	**5,868.5**	**325.8**	**6,194.3**
Total comprehensive income for the year							
Profit for the year	16	–	–	1,434.8	1,434.8	20.1	1,454.9
Other comprehensive (loss)/income for the year, net of tax		–	(166.2)	–	(166.2)	–	(166.2)
Total comprehensive (loss)/income for the year		**–**	**(166.2)**	**1,434.8**	**1,268.6**	**20.1**	**1,288.7**
Transfers		–	(170.1)	170.1	–	–	–
Contributions by and distributions to owners							
Distributions declared on ordinary units	12	–	–	(408.0)	(408.0)	–	(408.0)
Distributions paid on Goodman PLUS	17	–	–	–	–	(20.1)	(20.1)
Issue of ordinary units under the Goodman Group DRP		71.7	–	–	71.7	–	71.7
Issue of ordinary units under the Goodman Group LTIP		46.6	–	–	46.6	–	46.6
Equity settled share based payments transaction relating to Goodman Group	15	–	16.2	–	16.2	–	16.2
Balance at 30 June 2016		**7,249.7**	**(68.1)**	**(318.0)**	**6,863.6**	**325.8**	**7,189.4**

Year ended 30 June 2017
Consolidated

	Note	Attributable to Unitholders				Non-controlling interests $M	Total equity $M
		Issued capital $M	Reserves $M	Accumulated losses $M	Total $M		
Balance at 1 July 2016		**7,249.7**	**(68.1)**	**(318.0)**	**6,863.6**	**325.8**	**7,189.4**
Total comprehensive income for the year							
Profit for the year	16	–	–	597.8	597.8	18.7	616.5
Other comprehensive (loss)/income for the year, net of tax		–	(35.4)	–	(35.4)	–	(35.4)
Total comprehensive (loss)/income for the year		**–**	**(35.4)**	**597.8**	**562.4**	**18.7**	**581.1**
Transfers		–	–	–	–	–	–
Contributions by and distributions to owners							
Distributions declared on ordinary units	12	–	–	(463.4)	(463.4)	–	(463.4)
Distributions paid/payable on Goodman PLUS	17	–	–	–	–	(18.7)	(18.7)
Issue of ordinary units under the Goodman Group LTIP		60.8	–	–	60.8	–	60.8
Equity settled share based payments transaction relating to Goodman Group	15	–	22.6	–	22.6	–	22.6
Balance at 30 June 2017		**7,310.5**	**(80.9)**	**(183.6)**	**7,046.0**	**325.8**	**7,371.8**

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $M	2016 $M
Cash flows from operating activities			
Property income received		113.7	158.9
Proceeds from disposal of inventories		–	81.8
Other cash receipts from services provided		0.9	0.1
Property expenses paid		(32.4)	(47.2)
Payments for inventories		(1.2)	(59.0)
Other cash payments in the course of operations		(53.5)	(42.9)
Dividends/distributions received from equity accounted investments		273.3	205.1
Interest received		17.8	7.2
Finance costs paid		(130.2)	(258.0)
Net income taxes paid		(0.5)	(1.5)
Net cash provided by operating activities	14(b)	**187.9**	**44.5**
Cash flows from investing activities			
Proceeds from disposal of investment properties		1,141.7	408.2
Proceeds from disposal of equity investments		10.0	92.5
Net cash movement on disposal of controlled entities		–	1.7
Payments for investment properties		(35.4)	(69.1)
Payments for equity investments		(157.3)	(278.6)
Net cash provided by investing activities		**959.0**	**154.7**
Cash flows from financing activities			
Proceeds from borrowings		13.5	184.8
Repayments of borrowings		(107.2)	(255.6)
Cash outflows on debt modification		(17.8)	–
Loans to related parties		107.5	782.6
Distributions paid		(443.3)	(329.8)
Net cash (used in)/provided by financing activities		**(447.3)**	**382.0**
Net increase in cash and cash equivalents		699.6	581.2
Cash and cash equivalents at the beginning of the year		1,183.6	602.4
Effect of exchange rate fluctuations on cash held		(0.7)	–
Cash and cash equivalents at the end of the year	14(a)	**1,882.5**	**1,183.6**

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

Non-cash transactions are included in note 14(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

This section sets out the general basis upon which the Consolidated Entity has prepared its financial statements and information that is disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

Specific accounting policies can be found in the section to which they relate.

1. BASIS OF PREPARATION

Goodman Industrial Trust was established in Australia. The consolidated financial report of GIT for the year ended 30 June 2017 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and joint ventures (JVs).

The stapling of GIT, GL and GLHK was implemented on 22 August 2012. Following approval of the stapling, units in GIT, shares in GL and CDIs over shares in GLHK were stapled to one another and are quoted as a single security on the ASX. Goodman Funds Management Limited (the responsible entity of GIT), GL and GLHK must at all times act in the best interests of the stapled entity.

(a) Statement of compliance

This consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB. The consolidated financial report also complies with IFRS.

The consolidated financial report is presented in Australian dollars and was authorised for issue by the Directors on 21 August 2017.

(b) Basis of preparation of the consolidated financial report

The consolidated financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at fair value:

+ investment properties;
+ derivative financial instruments; and
+ financial instruments classified as available for sale.

The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Trust's controlled entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial report of GIT is presented in Australian dollars, which is the Trust's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange ruling at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates ruling at the balance date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. On cessation of operations in a foreign region, the cumulative exchange differences relating to the operations in that region, that have been included in the foreign currency translation reserve, are reclassified to profit or loss.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(c) Foreign currency translation continued

Exchange rates used

The following exchange rates are the main exchange rates used in translating foreign currency transactions, balances and financial statements to Australian dollars:

	Weighted average		As at 30 June	
Australian dollar (AUD) to	2017	2016	2017	2016
New Zealand dollars (NZD)	1.0585	1.0903	1.0482	1.0456
Hong Kong dollars (HKD)	5.8554	5.6530	5.9935	5.7786
Chinese Yuan (CNY)	5.1339	4.6927	5.1939	4.9564
Japanese yen (JPY)	82.2666	84.9874	86.2610	76.8420
Euros (EUR)	0.6920	0.6565	0.6727	0.6725
British pounds sterling (GBP)	0.5948	0.4919	0.5902	0.5613
United States dollars (USD)	0.7540	0.7285	0.7678	0.7447

(d) Income tax

Under current Australian income tax legislation, GIT is not liable for income tax, including capital gains tax, provided that Unitholders are presently entitled to the distributable income of GIT as calculated for trust law purposes. The wholly-owned entities of GIT that operate in certain foreign jurisdictions are liable to pay tax in those jurisdictions.

Tax allowances for building and plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions. Any taxable capital gains are distributed.

(e) Changes in accounting policy

The AASB has issued new standards and amendments to standards that are first effective for the current accounting period of the Consolidated Entity. There are no significant changes in accounting policies for the current financial year.

(f) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following Australian Accounting Standards were available for early adoption but have not been applied in preparing these financial statements:

+ revisions to AASB 9 Financial Instruments include requirements for the classification and measurement of financial assets and replaces AASB 139 Financial Instruments: Recognition and Measurement. The revised AASB 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The new standard is not expected to have a material impact on the Consolidated Entity's financial statements;
+ AASB 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. Based on the Consolidated Entity's existing contractual arrangements, the new standard is not expected to have a material impact on the Consolidated Entity's financial statements; and
+ AASB 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will become mandatory for the Consolidated Entity's 30 June 2020 financial statements and will result in the gross up of assets and liabilities where the Consolidated Entity leases development land classified as inventories; however, based on existing lease arrangements, the impact is not expected to be material in the context of the Consolidated Entity's financial statements.

(g) Critical accounting estimates used in the preparation of the consolidated financial statements

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

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

+ Note 5 – Property assets; and
+ Note 11 – Financial risk management.

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

MEASUREMENT OF FAIR VALUES

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

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

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

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

+ Note 5 – Property assets; and
+ Note 11 – Financial risk management.

RESULTS FOR THE YEAR

The notes in this section focus on the significant items in the income statement of the Consolidated Entity, and include analysis of the results by operating segment and taxation details.

2. PROFIT BEFORE INCOME TAX

Gross property income

Gross property income comprises rental income entitlements under operating leases, net of incentives provided, plus recoverable outgoings.

Rental income entitlements under operating leases are recognised on a straight-line basis over the term of the lease contract. Where operating lease rental income is recognised relating to fixed increases in rentals in future years, an asset is recognised. This asset is a component of the relevant investment property carrying amount. The cost of lease incentives provided to customers is recognised on a straight-line basis over the life of the lease as a reduction of gross property income.

Recoverable outgoings are recognised as income when the relevant outgoings are recorded as an expense.

Disposal of inventories

The disposal of inventories is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the income statement in the period of disposal.

Disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the property at the time of the disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the income statement in the period of disposal. Any previously unrealised valuation gains or losses are transferred from the asset revaluation reserve to accumulated losses/retained earnings.

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

	Note	2017 $M	2016 $M
Disposal of investment properties			
Net consideration from disposal of investment properties		1,130.6	411.3
Carrying value of investment properties disposed	5(e)	(956.7)	(374.9)
Net gain on disposal of investment properties		**173.9**	**36.4**
Disposal of controlled entities			
Net consideration received and receivable from the disposal of controlled entities	18	–	6.3
Carrying value of net assets disposed	18	–	(4.2)
Net gain on disposal of special purpose development entities		0.1	–
Net gain on disposal of controlled entities		**0.1**	**2.1**
Equity accounted investments			
Share of net results of investments in associates			
– Operating results after tax (before revaluations)	5(f)(i)	193.4	205.4
– Fair value adjustments attributable to investment properties	5(f)(i)	192.0	383.9
– Fair value adjustments on derivative financial instruments	5(f)(i)	(49.8)	6.5
Share of net results of investments in JVs			
– Operating results after tax (before revaluations)	5(f)(ii)	38.0	39.0
– Fair value adjustments attributable to investment properties	5(f)(ii)	57.4	66.1
– Fair value adjustments on derivative financial instruments	5(f)(ii)	0.3	(1.3)
Share of net results of equity accounted investments		**431.3**	**699.6**
Disposal of equity investments			
Net consideration from disposal of associates and JVs		10.2	135.8
Carrying value of associates and JVs disposed		(9.3)	(108.6)
Net gain on disposal of equity investments		**0.9**	**27.2**
Impairment reversals/(losses)			
Net reversal of impairment of receivables[1]		–	191.6
Impairment of inventories		–	(5.0)
Impairment reversals		**–**	**186.6**

1. During the prior financial year, the Consolidated Entity recognised an impairment loss of $10.7 million on loans to controlled entities of GLHK and reversed previous impairment losses of $202.3 million recognised on loans to GL.

Results for the year continued

3. SEGMENT REPORTING

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Australia and New Zealand (reported on a combined basis), Asia, Continental Europe, United Kingdom and North America.

The activities and services undertaken by the operating segments comprise property investment, including both direct ownership and the Consolidated Entity's cornerstone investments in managed partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments and corporate expenses. The assets allocated to each operating segment primarily include inventories, investment properties and the operating segment's investments in managed partnerships, but exclude intercompany funding, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude interest bearing liabilities, derivative financial instruments, provisions for distributions, income tax payables and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements for the Consolidated Entity.

There are no intersegment transactions.

Information regarding the operations of each reportable segment is included on the following page.

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		North America		Total	
Income statement	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
External revenues												
Gross property income	109.7	141.2	–	–	–	–	2.2	5.2	–	–	111.9	146.4
Income from disposal of inventories	–	1.2	–	–	–	–	–	–	–	–	–	1.2
Other income	–	0.8	–	–	0.5	0.1	–	–	–	–	0.5	0.9
Total external revenues	**109.7**	**143.2**	**–**	**–**	**0.5**	**0.1**	**2.2**	**5.2**	**–**	**–**	112.4	**148.5**
Reportable segment profit before tax	**401.6**	**296.4**	**29.1**	**55.7**	**27.5**	**44.9**	**3.8**	**5.2**	**13.8**	**25.6**	475.8	**427.8**
Share of net results of equity accounted investments	284.2	397.0	49.3	182.3	50.0	57.0	1.2	1.1	46.6	62.2	431.3	699.6
Material non-cash items not included in reportable segment profit before tax												
Net gain/(loss) from fair value adjustments on investment properties	159.3	321.1	–	–	–	–	–	(3.7)	–	–	159.3	317.4

Statement of financial position	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Reportable segment assets	**3,634.3**	**4,259.7**	**748.1**	**756.8**	**550.1**	**474.4**	**24.0**	**121.1**	**678.3**	**566.4**	5,634.8	**6,178.4**
Non-current assets	3,619.4	4,192.1	748.1	754.9	550.0	474.4	–	97.9	678.2	566.3	5,595.7	6,085.6
Included in reportable segments assets are:												
Investment properties	1,263.5	2,053.1	–	–	–	–	–	26.4	–	–	1,263.5	2,079.5
Investments accounted for using the equity method	2,318.2	2,102.3	748.0	755.0	526.3	456.1	–	13.5	678.3	566.4	4,270.8	3,893.3
Reportable segment liabilities	**167.3**	**91.4**	**–**	**–**	**0.1**	**–**	**0.2**	**200.5**	**13.5**	**20.6**	181.1	**312.5**

Results for the year continued

3. SEGMENT REPORTING CONTINUED

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

	2017 $M	2016 $M
Revenues		
Total revenue for reportable segments	112.4	148.5
Consolidated revenues	**112.4**	**148.5**
Profit or loss		
Total profit before tax for reportable segments	**475.8**	**427.8**
Corporate expenses not allocated to reportable segments	(49.1)	(38.9)
Operating profit before net interest and income tax expense	**426.7**	**388.9**
Valuation adjustments not included in reportable segment profit before tax:		
– Net gain from fair value adjustments on investment properties	159.3	317.4
– Impairment reversals	–	186.6
– Fair value adjustments relating to associates and JVs	199.9	455.2
Other non-cash items not included in reportable segment profit before tax	6.6	(21.4)
Net finance (expense)/income – refer to note 8	(181.9)	149.8
Consolidated profit before income tax	**610.6**	**1,476.5**
Assets		
Assets for reportable segments	5,634.8	6,178.4
Unallocated amounts: loans to GL and GLHK and their controlled entities	2,933.3	3,013.9
Other unallocated amounts	2,119.1	1,460.7
Consolidated total assets	**10,687.2**	**10,653.0**
Liabilities		
Liabilities for reportable segments	181.1	312.5
Unallocated amounts: interest bearing liabilities	2,576.3	2,584.3
Other unallocated amounts	558.0	566.8
Consolidated total liabilities	**3,315.4**	**3,463.6**

4. INCOME TAX

Under current Australian income tax legislation, GIT is not liable for income tax, including capital gains tax, provided that Unitholders are presently entitled to the distributable income of GIT as calculated for trust law purposes. The controlled entities of GIT that operate in certain foreign jurisdictions are liable to pay tax in those jurisdictions.

The income tax credit/(expense) relates to withholding taxes on actual distributions and deferred taxes on potential future distributions from managed partnerships. The credit in the current year is due to a change in tax rates that applied for the first time in FY17. At 30 June 2017, deferred tax liabilities of $11.8 million (2016: $19.2 million) have been recognised in relation to potential future distributions from managed partnerships.

OPERATING ASSETS AND LIABILITIES

The notes in this section focus on the Consolidated Entity's property assets and working capital.

5. PROPERTY ASSETS

(a) Types of property assets

The Consolidated Entity's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in partnerships (both associates and JVs).

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business. Where property developments are forecast to be completed and sold more than 12 months after the balance date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes. Work in progress is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Operating assets and liabilities continued

5. PROPERTY ASSETS CONTINUED

(a) Types of property assets continued

Investment properties

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

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial report.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, including costs of all materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development period.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis.

Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classed as being under development and would be completed properties that are leased or are available for lease to the Consolidated Entity's customers.

For investment properties under development, the carrying values are reviewed by management at each reporting date to ensure they reflect the fair value and at completion external valuations are obtained to determine the fair values.

For stabilised investment properties, independent valuations are obtained at least every three years to determine the fair values. At each reporting date between obtaining independent valuations, the carrying values are reviewed by management to ensure they reflect the fair values.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to the Consolidated Entity obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

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

	Note	2017 $M	2016 $M
Inventories			
Current	5(d)	23.1	22.2
Non-current	5(d)	37.0	94.6
		60.1	**116.8**
Investment properties			
Stabilised investment properties		1,246.0	2,061.0
Investment properties under development		17.5	18.5
	5(e)	**1,263.5**	**2,079.5**
Investments accounted for using the equity method			
Associates	5(f)(i)	3,159.0	2,947.4
JVs	5(f)(ii)	1,111.8	945.9
		4,270.8	**3,893.3**
Total property assets		**5,594.4**	**6,089.6**

(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

Stabilised investment properties refer to investment properties which are not under development. The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both investment properties held directly and investment properties held in associates and JVs.

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.

Operating assets and liabilities continued

5. PROPERTY ASSETS CONTINUED

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

External valuations are undertaken only where market segments were observed to be active. In making the determination of whether a market segment is active, the following characteristics are considered:

+ function of the asset (distribution/warehouse or suburban office);
+ location of asset (city, suburb or regional area);
+ carrying value of the asset (categorised by likely appeal to private (including syndicates), national and institutional investors); and
+ categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure and/or there has been a material change in use (or zoning) of the asset and/or it has been three years since the previous external, independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

Where a market segment is observed to be inactive, then no external, independent valuations are performed and internal valuations are undertaken based on discounted cash flow (DCF) calculations. The DCF calculations are prepared over a 10 year period. The key inputs considered for each individual calculation are rental growth rates, discount rates, market rental rates and letting up incentives. Discount rates are computed using the 10 year bond rate or equivalent in each jurisdiction plus increments to reflect country risk, tenant credit risk and industry risk. Where possible, the components of the discount rate are benchmarked to available market data.

Market assessment

At 30 June 2017, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. The overall weighted average capitalisation rates for the divisional portfolios (including partnerships) are set out in the table below:

	Total portfolio weighted average capitalisation rate	
Division	**2017 %**	**2016 %**
Australia[1]	6.1	6.7
Hong Kong	5.2	5.4
Continental Europe	6.1	6.4
North America	4.3	4.5

1. Excludes urban renewal sites which are valued on a rate per residential unit site basis.

During the current financial year, the fair values of 100% (2016: 98%) of these stabilised investment properties held directly by the Consolidated Entity (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For partnerships, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, 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 to determine 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 and size of the development and is generally in a market range of 10% to 15%.

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.

(d) Inventories

	2017 $M	2016 $M
Current		
Land and development properties	23.1	22.2
	23.1	**22.2**
Non-current		
Land and development properties	37.0	94.6
	37.0	**94.6**

During the year, no impairment losses (2016: $5.0 million) were recognised to write down development land to net realisable value.

(e) Investment properties

Reconciliation carrying amount of directly held investment properties

	2017 $M	2016 $M
Carrying amount at the beginning of the year	2,079.5	2,126.7
Acquisitions	–	37.0
Capital expenditure	7.8	24.9
Transfers in from inventories	–	1.9
Disposals:		
– Carrying value of properties disposed	(956.7)	(374.9)
– On disposal of interests in controlled entities	(24.9)	(50.7)
Net gain from fair value adjustments	159.3	317.4
Effect of foreign currency translation	(1.5)	(2.8)
Carrying amount at the end of the year	**1,263.5**	**2,079.5**
Analysed by segment:		
Australia and New Zealand	1,263.5	2,053.1
United Kingdom	–	26.4
	1,263.5	**2,079.5**

Operating assets and liabilities continued

5. PROPERTY ASSETS CONTINUED

(e) Investment properties continued

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see notes 1(h) and 5(c)). The majority of the Consolidated Entity's directly held investment properties are in Australia and the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs, are summarised in the table below:

Valuation technique	Significant unobservable inputs	2017	2016
Income capitalisation	Range of net market rents (per square metre per annum)	$40 to $276	$40 to $300
	Capitalisation rate (weighted average)	6.11%	6.70%

The estimated fair value would increase if net market rents were higher and/or if capitalisation rates were lower. The estimated fair value would decrease if the net market rents were lower and/or if the capitalisation rates were higher.

In addition, there are assets in Sydney, NSW that have been rezoned for residential mixed use. Certain of these sites have seen significant value uplifts as a result of the change in zoning, with the valuations of these sites determined by reference to comparable sales data, as summarised in the table below:

Valuation technique	Significant unobservable input	2017	2016
Direct comparison	Sales price for comparable residential sites (rate per unit)	$200,000 to $250,000	$100,000 to $300,000

The Consolidated Entity leases out investment properties under operating leases. The weighted average lease expiry of Goodman Group's directly held investment properties in Australia is 5.1 years.

Non-cancellable operating lease commitments receivable from investment property customers

The analysis in the table below reflects the gross property income, excluding recoverable outgoings, based on the Consolidated Entity's existing lease agreements. It assumes that leases will not extend beyond the next review date where the customer has an option to end the lease.

	2017 $M	2016 $M
Non-cancellable operating lease commitments receivable:		
– Within one year	60.4	88.3
– One year or later and no later than five years	121.7	177.9
– Later than five years	23.9	101.4
	206.0	**367.6**

(f) Investments accounted for using the equity method

Investments accounted for using the equity method comprise associates and JVs, which are collectively referred to by the Consolidated Entity as managed partnerships.

Associates

An associate is an entity over which the Consolidated Entity exercises significant influence but not control over their financial and operating policies. In the consolidated financial statements, investments in associates are accounted for using the equity method. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Under this method, the Consolidated Entity's share of post-acquisition gains or losses of associates is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in consolidated reserves. Cumulative post-acquisition movements in both profit or loss and reserves are adjusted against the cost of the investment.

JVs

A JV is an arrangement in which the Consolidated Entity has joint control, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the JVs' net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with associates and JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to associates and JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of an asset.

Operating assets and liabilities continued

5. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(i) Investments in associates

The Consolidated Entity's associates are set out below:

		Consolidated share of net results		Consolidated ownership interest		Consolidated investment carrying amount	
Name of associate	Country of establishment	2017 $M	2016 $M	2017 %	2016 %	2017 $M	2016 $M
Property investment							
Goodman Australia Industrial Partnership (GAIP)	Australia	135.9	229.5	27.5	27.5	1,256.6	1,186.6
Goodman Australia Partnership (GAP)	Australia	100.4	131.1	19.9	19.9	628.1	549.8
Goodman Hong Kong Logistics Partnership (GHKLP)	Cayman Islands	49.3	182.4	20.0	20.0	748.1	754.9
Goodman European Partnership (GEP)	Luxembourg	50.0	52.8	20.4	20.4	526.2	456.1
		335.6	**595.8**			**3,159.0**	**2,947.4**

The reconciliation of the carrying value at the beginning to the carrying value at the end of the year is set out as follow:

Movement in carrying amount of investments in associates	2017 $M	2016 $M
Carrying amount at the beginning of the year	2,947.4	2,495.0
Share of net results after tax (before revaluations)	193.4	205.4
Share of fair value adjustments attributable to investment properties	192.0	383.9
Share of fair value adjustments on derivative financial instruments	(49.8)	6.5
Share of net results	335.6	595.8
Share of movement in reserves	0.6	(1.0)
Acquisitions	51.5	45.6
Disposals	–	(34.8)
Distributions received	(150.4)	(179.8)
Effect of foreign currency translation	(25.7)	26.6
Carrying amount at the end of the year	**3,159.0**	**2,947.4**

Operating assets and liabilities continued

5. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

The table below includes further information regarding the Consolidated Entity's investments in associates held at the end of the financial year:

	GAIP		GAP		GHKLP		GEP	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Summarised statements of financial position								
Total current assets	630.8	595.9	226.0	464.3	227.8	325.8	191.9	185.0
Total non-current assets	5,991.6	5,864.0	3,326.7	3,397.2	4,504.8	4,367.6	4,271.2	3,642.8
Total current liabilities	326.6	171.9	124.8	134.1	81.6	84.7	170.0	132.1
Total non-current liabilities	1,789.4	2,040.3	273.3	988.3	917.0	840.5	1,709.6	1,456.0
Net assets (100%)	**4,506.4**	**4,247.7**	**3,154.6**	**2,739.1**	**3,734.0**	**3,768.2**	**2,583.5**	**2,239.7**
Consolidated ownership interest	27.5%	27.5%	19.9%	19.9%	20.0%	20.0%	20.4%	20.4%
Consolidated share of net assets	1,240.4	1,169.3	628.1	545.5	746.8	753.6	526.2	456.1
Capitalised costs	–	–	–	–	1.3	1.3	–	–
Distributions receivable[1]	16.2	17.3	–	4.3	–	–	–	–
Carrying amount of investment in associates	**1,256.7**	**1,186.6**	**628.1**	**549.8**	**748.1**	**754.9**	**526.2**	**456.1**
Summarised statements of comprehensive income								
Revenue	402.5	464.1	264.4	308.1	245.8	237.8	242.8	242.0
Profit after tax and revaluations	493.6	842.7	504.5	658.6	246.4	911.9	247.8	262.9
Other comprehensive (loss)/income	(0.2)	0.5	(6.3)	4.5	–	–	–	–
Total comprehensive income (100%)	**493.4**	**843.2**	**498.2**	**663.1**	**246.4**	**911.9**	**247.8**	**262.9**
Distributions received and receivable	**65.7**	**68.2**	**22.1**	**60.8**	**29.9**	**17.4**	**32.7**	**33.4**

1. Distributions receivable related to distributions provided for but not paid by the associate at 30 June 2017. This was applicable to trusts in Australia where unitholders were presently entitled to income at the end of the financial year.

(ii) Investments in JVs

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

		Consolidated share of net results		Consolidated ownership interest		Consolidated investment carrying amount	
Name of JV	Country of establishment	2017 $M	2016 $M	2017 %	2016 %	2017 $M	2016 $M
Property investment							
KWASA Goodman Industrial Partnership (KGIP)	Australia	38.8	32.6	40.0	40.0	158.3	213.5
Property investment and development							
Goodman North America Partnership (GNAP)	USA	46.6	62.2	53.0	53.0	678.2	566.3
Other JVs		**10.3**	**9.0**			**275.3**	**166.1**
		95.7	**103.8**			**1,111.8**	**945.9**

Operating assets and liabilities continued

5. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

The reconciliation of the carrying value at the beginning to the carrying value at the end of the year is set out as follows:

Movement in carrying amounts of JVs	2017 $M	2016 $M
Carrying amount at the beginning of the year	945.9	671.5
Share of net results after tax (before revaluations)	38.0	39.0
Share of fair value adjustments attributable to investment properties	57.4	66.1
Share of fair value adjustments on derivative financial instruments	0.3	(1.3)
Share of net results	95.7	103.8
Acquisitions	222.2	267.6
Disposals	(9.3)	(73.8)
Capital return	(2.9)	(0.3)
Distributions received	(119.5)	(25.3)
Effect of foreign currency translation	(20.3)	2.4
Carrying amount at the end of the year	**1,111.8**	**945.9**

The table below includes further information regarding the Consolidated Entity's principal investments in JVs held at the end of the financial year:

	KGIP		GNAP	
	2017 $M	2016 $M	2017 $M	2016 $M
Summarised statements of financial position				
Current assets				
Cash and cash equivalents	2.3	3.5	24.5	27.1
Other current assets	0.9	299.8	22.7	19.6
Total current assets	**3.2**	**303.3**	**47.2**	**46.7**
Total non-current assets	**639.5**	**548.6**	**1,286.9**	**1,038.5**
Current liabilities	**28.5**	**11.9**	**62.1**	**24.8**
Non-current liabilities				
Financial liabilities	215.0	300.0	–	0.7
Other non-current liabilities	3.4	6.2	0.9	–
Total non-current liabilities	**218.4**	**306.2**	**0.9**	**0.7**
Net assets (100%)	**395.8**	**533.8**	**1,271.1**	**1,059.7**
Consolidated ownership interest	40.0%	40.0%	53.0%	53.0%
Consolidated share of net assets	158.3	213.5	673.7	561.6
Capitalised costs	–	–	4.5	4.7
Carrying amount of investment in JV	**158.3**	**213.5**	**678.2**	**566.3**
Summarised statements of comprehensive income				
Revenue	44.3	96.6	46.3	13.9
Interest income	0.1	0.1	–	–
Interest expense	(5.1)	(12.3)	(0.2)	(0.1)
Income tax expense	–	–	(0.1)	(0.1)
Profit after tax	96.3	84.8	87.9	117.4
Other comprehensive income/(loss)	0.7	(3.1)	–	–
Total comprehensive income (100%)	**97.0**	**81.7**	**87.9**	**117.4**
Distributions received	**94.0**	**14.1**	**16.5**	**2.0**

For the Consolidated Entity's other JVs not included in the table above, the total profit after tax and revaluations is $52.2 million (2016: $46.7 million) and total other comprehensive income was $nil (2016: $nil).

Operating assets and liabilities continued

6. RECEIVABLES

Receivables comprise loans to related parties and trade and other receivables and are recognised on the date that they are originated, initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Consolidated Entity derecognises a receivable when the contractual rights to the cash flows from the receivable expire or it transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

Impairment

The carrying amounts of receivables is assessed at each balance date to determine whether there is any indication of impairment. If such indication exists, the receivable is written down to the present value of the estimated future cash flows discounted at the original effective interest rate. The impairment is recognised in profit or loss in the reporting period in which it occurs.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

	2017 $M	2016 $M
Current		
Loans to related parties	1,731.0	3,003.9
Trade receivables	2.2	3.3
Other receivables	–	6.2
Amounts due from related parties	4.3	2.6
	1,737.5	**3,016.0**
Non-current		
Loans to related parties	1,202.3	10.0
	1,202.3	**10.0**

The maximum exposure to credit risk at the balance date is the fair value of each class of receivable mentioned above. There is no material difference between the carrying values and the fair values of all current and non-current receivables.

Receivables (current and non-current) denominated in currencies other than Australian dollars are as follows:

Amounts in A$M	NZD	JPY	EUR	GBP	USD
2017	230.0	25.5	247.2	1,837.7	318.7
2016	257.7	25.7	122.2	2,378.8	312.3

Loans to related parties

The Consolidated Entity's loans to related parties principally relate to loans to GL, GLHK and their controlled entities and loans to associates and JVs. The interest rates on loans to related parties were 0.9% to 7.8% per annum (2016: 1.3% to 9.1% per annum). During the prior financial year, the Consolidated Entity reversed impairment losses of $202.3 million previously recognised on loans to GL as there was no longer any indication that the debt will not be recoverable.

Operating assets and liabilities continued

7. PAYABLES

Trade and other payables are recognised initially on the trade date at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

The Consolidated Entity derecognises trade and other payables when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

	2017 $M	2016 $M
Current		
Trade payables	4.2	7.2
Other payables and accruals	55.5	294.6
Rental income received in advance	2.6	2.6
Loans from related parties[1]	30.8	23.5
	93.1	**327.9**
Non-current		
Other payables and accruals	163.3	60.0
	163.3	**60.0**

1. Details of loans from related parties are set out in note 19.

CAPITAL MANAGEMENT

The notes in this section focus on the Consolidated Entity's financing activities, capital structure and management of the financial risks involved.

8. NET FINANCE INCOME/(EXPENSE)

Finance income

Income from the provision of loan facilities including establishment fees, line fees and interest income is recognised over the relevant service period on an effective interest rate method, and, if not received at balance date, is reflected in the statement of financial position as a receivable.

Finance costs

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective interest rate basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the year in which the significant modification occurs.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

Capital management continued

8. NET FINANCE INCOME/(EXPENSE) CONTINUED

	2017 $M	2016 $M
Finance income		
Interest income from:		
– Related parties	146.4	222.4
– Other parties	18.5	7.1
Fair value adjustments on derivative financial instruments	–	106.1
Foreign exchange gain	1.4	–
	166.3	**335.6**
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(89.0)	(153.5)
Debt modification expenses[1]	(205.3)	–
Other borrowing costs	(9.4)	(13.7)
Fair value adjustments on derivative financial instruments	(45.6)	–
Foreign exchange loss	–	(30.2)
Capitalised borrowing costs[2]	1.1	11.6
	(348.2)	**(185.8)**
Net finance (expense)/income	**(181.9)**	**149.8**

1. The debt modification expenses were in respect of the par for par exchange of two tranches of notes in the United States 144A/Reg S bond market. In accordance with accounting standards, the expense in FY17 included transaction costs, amortisation of borrowing costs associated with the old notes and the fair value loss of $173.1 million on recognition of the new notes. The cash outflow during the year associated with the debt modification was $17.8 million.
2. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.1% and 6.7% per annum (2016: 4.8% and 7.0% per annum).

9. INTEREST BEARING LIABILITIES

Interest bearing liabilities comprise bank loans, notes issued in the capital market and private placements. Interest bearing liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method.

	Note	2017 $M	2016 $M
Non-current			
Unsecured			
– Bank loans	9(a)	122.7	176.4
– Euro medium-term notes	9(b)	423.6	445.4
– US senior notes	9(c)	1,892.3	1,779.2
– Foreign private placements	9(d)	144.9	202.8
Borrowing costs		(7.2)	(19.5)
		2,576.3	**2,584.3**

(a) Bank loans

Facility maturity date	Facility limit $M	Amounts drawn $M
31 Jul 2020	50.0	–
31 Jul 2018	104.9	75.0
31 Jul 2021	130.2	–
30 Sep 2019	48.8	–
30 Sep 2019	37.5	–
31 Jul 2019	84.7	–
14 Apr 2021	152.0	–
31 Mar 2021	122.0	47.7
31 Mar 2019	30.0	–
31 Mar 2021	148.7	–
At 30 Jun 2017	**908.8**	**122.7**
At 30 Jun 2016	1,069.8	176.4

The majority of the unsecured bank loans are multi-currency facilities. At 30 June 2017, the amounts drawn were $122.7 million (2016: $176.4 million) in New Zealand dollars.

Capital management continued

9. INTEREST BEARING LIABILITIES CONTINUED

(b) Euro medium-term notes

As at 30 June 2017, Goodman Australia Finance Pty Limited, a controlled entity of GIT, had on issue A$423.6 million (2016: A$445.4 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes are repayable on 16 July 2018. The notes are listed on the Singapore Stock Exchange and the market value of the notes using the quoted price at 30 June 2017 was A$461.1 million (2016: A$512.0 million).

(c) United States senior notes

As at 30 June 2017, the Consolidated Entity had notes on issue in the United States 144A/Reg S bond market as follows:

Notes	Book value		Face value		Coupon
Maturity date	A$M	US$M	A$M	US$M	(fixed)
12 Nov 2020	423.3	325.0	423.3	325.0	6.375%
15 Apr 2021	732.4	562.4	651.1	499.9	6.375%
22 Mar 2022	736.6	565.6	651.0	499.9	6.000%
	1,892.3	**1,453.0**	**1,725.4**	**1,324.8**	

During the financial year, the Consolidated Entity executed a par for par exchange in respect of the notes repayable in 2021 and 2022. The new notes had the same coupon, maturity and payment terms, but included amended covenants. In accordance with accounting standards, these new notes were reflected in the statement of financial position at fair value, determined by reference to the quoted price at the date of exchange.

(d) Foreign private placements

As at 30 June 2017, the Consolidated Entity had A$144.9 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon of 3.32% payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

	Facilities available $M	Facilities utilised $M
At 30 June 2017		
Unsecured		
– Bank loans	908.8	122.7
– Euro medium-term notes	423.6	423.6
– United States senior notes[1]	1,725.4	1,725.4
– Foreign private placements	144.9	144.9
– Bank guarantees[2]	–	42.0
	3,202.7	**2,458.6**
At 30 June 2016		
Unsecured		
– Bank loans	1,069.8	176.4
– Euro medium-term notes	445.4	445.4
– United States senior notes	1,779.2	1,779.2
– Foreign private placements	202.8	202.8
– Bank guarantees[2]	–	38.0
	3,497.2	**2,641.8**

1. Facilities available and facilities utilised in respect of the United States senior notes represent the face value of the notes on issue.
2. Bank guarantees relate to the Consolidated Entity's unsecured bank loans.

Capital management continued

10. OTHER FINANCIAL ASSETS AND LIABILITIES

Derivative financial instruments and hedging

The Consolidated Entity uses derivative financial instruments to hedge its economic exposure to foreign exchange and interest rate risks arising from operating, investing and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for speculative trading purposes.

The Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly the movements in the fair value of derivative financial instruments are recognised in the income statement.

Cash flow hedges

Certain of the Consolidated Entity's associates and JVs continue to designate interest rate swaps as a cash flow hedge for accounting purposes. The Consolidated Entity's share of the effective portion of changes in the fair value of derivatives in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	2017 $M	2016 $M
Current		
Derivative financial instruments	27.2	–
	27.2	**–**
Non-current		
Derivative financial instruments	214.7	329.8
Investment in unlisted securities, at fair value	23.9	18.2
	238.6	**348.0**

Other financial liabilities

	2017 $M	2016 $M
Current		
Derivative financial instruments	158.4	0.1
	158.4	**0.1**
Non-current		
Derivative financial instruments	76.3	274.3
	76.3	**274.3**

Capital management continued

11. FINANCIAL RISK MANAGEMENT

The Directors have ultimate responsibility for the Consolidated Entity's financial risk management (FRM) processes and have established policies, documented in the FRM policy document, to manage the Consolidated Entity's exposure to financial risks and to utilise capital in an efficient manner.

The Group Investment Committee is Goodman Group's primary forum where recommendations regarding capital allocation and FRM (in accordance in the FRM policy) are discussed and approved. The Group Investment Committee meets every week during the financial year.

Goodman Group's treasury function is responsible for preparing the following reports for consideration at each of the Consolidated Entity's Board meetings:

+ analysis of capital allocation and funding requirements against the Consolidated Entity's gearing constraint;
+ analysis of the Consolidated Entity's liquidity and funding position;
+ analysis of the Consolidated Entity's debt maturity profile;
+ a review of all the hedge exposures and the completed hedges;
+ compliance with the Consolidated Entity's hedging policy and recommendations for future hedging strategies; and
+ full mark to market of all derivative positions.

Under the FRM policy, the Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are marked to market, with the movement in value recognised in profit or loss.

Capital management

The Consolidated Entity's principal capital management objectives are to maintain a strong capital base and provide funds for operating activities, capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt and equity.

The Consolidated Entity is able to alter the capital mix by issuing new stapled securities or hybrid securities, through the operation of a DRP, adjusting the timing of capital expenditure and selling assets to reduce borrowings. Goodman Group also manages capital through its distribution policy in which distributions made to Securityholders are based on the greater of 60% of Goodman Group's operating profit or taxable income of GIT.

Goodman Group monitors capital on the basis of both the gearing ratio and the weighted average cost of debt. Gearing is reviewed on a Goodman Group basis and the gearing ratio for Goodman Group is calculated as the total interest bearing liabilities less cash as a percentage of the total assets excluding cash.

Goodman Group's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, Continental Europe, the United Kingdom and North America. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of the Consolidated Entity's net investment in foreign operations, future commercial transactions, and other foreign currency denominated assets and liabilities.

In managing foreign currency risks, the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

Goodman Group's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the overseas investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and foreign exchange contracts (FEC).

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2017, the principal that is hedged, the weighted average exchange rates and the periods to expiry, by currency, are set out below:

	2017			2016		
CCIRS: AUD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
NZD payable	**NZD'M**	**A$M**	**AUD/NZD**	**NZD'M**	**A$M**	**AUD/NZD**
2–5 years	(100.0)	65.4	1.1674	(100.0)	65.4	1.1674
	(100.0)	**65.4**		**(100.0)**	**65.4**	
HKD payable	**HKD'M**	**A$M**	**AUD/HKD**	**HKD'M**	**A$M**	**AUD/HKD**
Less than 1 year	(600.0)	76.8	7.8145	–	–	–
1–2 year(s)	(940.0)	127.4	7.4011	–	–	–
2–5 years	(1,850.0)	325.2	5.6884	(3,390.0)	529.4	6.5396
	(3,390.0)	**529.4**		**(3,390.0)**	**529.4**	
EUR payable	**EUR'M**	**A$M**	**AUD/EUR**	**EUR'M**	**A$M**	**AUD/EUR**
Less than 1 year	(300.0)	388.5	0.7728	–	–	–
1–2 year(s)	(120.0)	152.7	0.7857	–	–	–
2–5 years	(285.0)	424.5	0.6715	(470.0)	616.7	0.7644
	(705.0)	**965.7**		**(470.0)**	**616.7**	
GBP payable	**GBP'M**	**A$M**	**AUD/GBP**	**GBP'M**	**A$M**	**AUD/GBP**
Less than 1 year	(50.0)	77.8	0.6427	–	–	–
1–2 year(s)	(80.0)	136.3	0.5869	–	–	–
2–5 years	–	–	–	(170.0)	282.2	0.6035
	(130.0)	**214.1**		**(170.0)**	**282.2**	

FEC: GBP receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
	A$M	**GBP'M**	**GBP/AUD**	**A$M**	**GBP'M**	**GBP/AUD**
Less than 1 year	(129.2)	65.0	1.9767	–	–	–
1–2 year(s)	–	–	–	(103.2)	50.0	2.0648
	(129.2)	**65.0**		**(103.2)**	**50.0**	

FEC: GBP receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
	US$M	**GBP'M**	**GBP/USD**	**US$M**	**GBP'M**	**GBP/USD**
Less than 1 year	(160.0)	129.7	1.2332	–	–	–
	(160.0)	**129.7**		**–**	**–**	

FEC: USD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
	CNY'M	**US$'M**	**USD/CNY**	**CNY'M**	**US$'M**	**USD/CNY**
2–5 years	(1,614.6)	225.0	7.1759	(1,614.6)	225.0	7.1759
	(1,614.6)	**225.0**		**(1,614.6)**	**225.0**	

FEC: EUR receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
	US$M	**EUR'M**	**EUR/USD**	**US$M**	**EUR'M**	**EUR/USD**
Less than 1 year	(215.0)	179.6	1.1983	–	–	–
	(215.0)	**179.6**		**–**	**–**	

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued continued

Foreign exchange risk continued

At 30 June 2017, the Consolidated Entity's notes issued in the United States 144A/Reg S bond market created a foreign currency risk exposure. Goodman Group's policy is to minimise its exposure to both interest rate and exchange rate movements, and accordingly, the Consolidated Entity has entered into both USD/EUR and USD/GBP CCIRS, to provide a capital hedge against assets denominated in EUR and GBP. Details of these CCIRS are set out below:

	2017			2016		
CCIRS: USD receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
EUR payable	**EUR'M**	**US$'M**	**USD/EUR**	**EUR'M**	**US$'M**	**USD/EUR**
2–5 years	(302.7)	420.0	0.7207	(250.8)	355.0	0.7065
Over 5 years	–	–	–	(76.6)	100.0	0.7657
	(302.7)	**420.0**		**(327.4)**	**455.0**	
GBP payable	**GBP'M**	**US$'M**	**USD/GBP**	**GBP'M**	**US$'M**	**USD/GBP**
2–5 years	(100.2)	160.0	0.6261	(55.6)	90.0	0.6176
Over 5 years	–	–	–	(76.4)	120.0	0.6369
	(100.2)	**160.0**		**(132.0)**	**210.0**	
CCIRS: JPY receivable Expiry by currency	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**	**Amounts payable**	**Amounts receivable**	**Weighted average exchange rate**
GBP payable	**GBP'M**	**JPY'M**	**JPY/GBP**	**GBP'M**	**JPY'M**	**JPY/GBP**
Over 5 years	–	–	–	(85.9)	11,300.0	0.0076
	–	**–**	**–**	**(85.9)**	**11,300.0**	

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2016: 5%) stronger against all other currencies, with all other variables held constant, the profit attributable to Unitholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A$8.6 million (2016: A$18.6 million decrease). If the Australian dollar had been 5% (2016: 5%) weaker against all other currencies, with all other variables held constant, the profit attributable to Unitholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A$8.6 million (2016: A$18.6 million increase).

Interest rate risk

The Consolidated Entity's interest rate risk arises from variable rate borrowings and also fixed rate to floating rate CCIRS that hedge the currency risk associated with the USD denominated notes and JPY denominated private placement. The Consolidated Entity adopts a policy of ensuring that between 60% and 100% of its current year exposure to changes in interest rates on borrowings is on a fixed rate basis. The Consolidated Entity enters into interest rate swaps (IRS) to manage cash flow risks associated with the interest rates on borrowings that are floating. The IRS contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest.

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued continued

Interest rate risk continued

As at 30 June 2017, the Consolidated Entity's interest rate risk exposure based on existing interest bearing liabilities and derivative financial instruments is set out below:

	Interest bearing liabilities A$M	Impact of derivatives CCIRS[1] A$M	IRS A$M	Net interest rate exposure A$M
30 June 2017				
Fixed rate liabilities	2,460.8	(755.4)	848.0	2,553.4
Floating rate liabilities	122.7	774.4	(848.0)	49.1
	2,583.5	**19.0**	**–**	**2,602.5**
30 June 2016				
Fixed rate liabilities	2,387.3	(893.0)	854.8	2,349.1
Floating rate liabilities	216.5	912.3	(854.8)	274.0
	2,603.8	**19.3**	**–**	**2,623.1**

1. The impact of the CCIRS amends the total borrowings exposure as a result of the difference in the foreign currency exchange rate at the end of the financial year between the contracted rate and the year end spot rate.

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that existed at the end of the financial year, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

	2017		2016	
Number of years post balance date	Fixed interest rate exposure A$M	Weighted average interest rate % per annum	Fixed interest rate exposure A$M	Weighted average interest rate % per annum
1 year	2,392.9	4.59%	2,397.0	4.51%
2 years	2,096.9	3.61%	2,583.3	4.39%
3 years	1,840.9	3.67%	2,172.1	3.44%
4 years	1,372.3	3.43%	1,793.7	3.50%
5 years	710.5	2.79%	1,318.0	3.21%

Sensitivity analysis

Based on the Consolidated Entity's interest bearing liabilities and derivative financial instruments at 30 June 2017, if interest rates on borrowings had been 100 basis points per annum (2016: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Securityholders for the financial year would have been A$0.5 million lower/higher (2016: A$2.7 million).

Price risk

The Consolidated Entity is not materially exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity to fund working capital, capital expenditure, investment opportunities, debt expiries and distributions. This is achieved through the monthly preparation of a three year cash flow forecast to understand the uses of funds and to identify potential shortfalls in funding. This allows the Consolidated Entity to plan for renewal of debt facilities, negotiation of new debt facilities, new issues of securities, including the DRP, and other potential sources of funding.

Goodman Group's treasury function is responsible for reporting details of all debt maturities to the Board at its regular meetings. Goodman Group's treasury function is also responsible for reporting to the Board all the information and term sheets relating to any financing arrangements being contemplated or negotiated by the Consolidated Entity, for its review and approval.

The Consolidated Entity seeks to spread its debt maturities such that the total debt repayable in a single financial year does not exceed Board approved policy levels.

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity risk continued

The contractual maturities of financial liabilities of the Consolidated Entity are set out below:

	Carrying amount $M	Contractual cash flows $M	Less than 1 year $M	1–2 year(s) $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2017								
Non-derivative financial liabilities								
Payables	256.4	256.4	93.1	58.8	41.9	23.5	10.5	28.6
Bank loans, unsecured[1]	122.7	122.7	–	75.0	–	47.7	–	–
Euro medium-term notes, unsecured	423.6	506.0	80.6	425.4	–	–	–	–
United States senior notes, unsecured	1,892.3	2,173.0	117.4	109.0	109.3	1,157.5	679.8	–
Foreign private placements, unsecured	144.9	174.3	6.1	4.9	4.9	4.9	8.6	144.9
Total non-derivative financial liabilities	**2,839.9**	**3,232.4**	**297.2**	**673.1**	**156.1**	**1,233.6**	**698.9**	**173.5**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(17.0)	(6.0)	(5.1)	–	(2.5)	1.9	(1.0)	0.7
Gross settled:[3]								
(Inflow)	–	(506.9)	(98.4)	(90.0)	(101.2)	(155.2)	(58.2)	(3.9)
Outflow	9.7	502.0	176.5	83.1	42.3	40.3	98.1	61.7
Total derivative financial (assets)/liabilities – net	**(7.3)**	**(10.9)**	**73.0**	**(6.9)**	**(61.4)**	**(113.0)**	**38.9**	**58.5**
As at 30 June 2016								
Non-derivative financial liabilities								
Payables	387.9	387.9	327.9	40.6	1.9	7.5	10.0	–
Bank loans, unsecured[1]	176.4	176.4	–	–	80.7	–	95.7	–
Euro medium-term notes, unsecured	445.4	575.8	85.1	43.4	447.3	–	–	–
United States senior notes, unsecured	1,779.2	2,367.7	135.5	112.4	112.4	112.8	1,193.5	701.1
Foreign private placements, unsecured	202.8	246.6	7.7	6.2	6.2	6.3	6.2	214.0
Total non-derivative financial liabilities	**2,991.7**	**3,754.4**	**556.2**	**202.6**	**648.5**	**126.6**	**1,305.4**	**915.1**
Derivative financial (assets)/liabilities – net								
Net settled[2]	(20.7)	(5.1)	(10.0)	2.6	1.0	1.8	1.1	(1.6)
Gross settled:[3]								
(Inflow)	(34.7)	(539.7)	(94.7)	(97.2)	(77.0)	(81.6)	(144.9)	(44.3)
Outflow	–	489.4	39.9	203.9	103.1	36.9	38.7	66.9
Total derivative financial (assets)/liabilities – net	**(55.4)**	**(55.4)**	**(64.8)**	**109.3**	**27.1**	**(42.9)**	**(105.1)**	**21.0**

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under the Consolidated Entity's revolving loan facilities.
2. Net settled relates to IRS and FEC.
3. Gross settled relates to CCIRS.

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is equal to the carrying amount.

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance. Bank guarantees are accepted from financial institutions which have an investment grade credit rating from a major rating agency.

Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is only transferred upon receipt of proceeds for the sale of those assets and typically the Consolidated Entity will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

In relation to material bank deposits, the Consolidated Entity minimises credit risk by dealing with major financial institutions. The counterparty must have a stable, long-term credit rating that is a minimum of an "A" category (or equivalent)t from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

The credit risks associated with derivative financial instruments are managed by:

+ transacting with multiple derivatives counterparties that have a stable, long-term investment grade credit rating;
+ utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties (refer below); and
+ formal review of the mark to market position of derivative financial instruments by counterparty on a monthly basis.

Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

As the Consolidated Entity does not have any current legally enforceable right to offset, the fair values associated with derivative financial instruments have been presented gross in the statement of financial position. However, if a credit event occurred, the ISDA master netting off agreement would allow A$108.4 million (2016: A$124.1 million) of financial assets and financial liabilities in relation to the Consolidated Entity's derivative financial instruments to be offset.

(d) Fair value of financial instruments

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

	Note	Carrying amount 2017 $M	Fair value 2017 $M	Carrying amount 2016 $M	Fair value 2016 $M
Financial assets					
Cash and cash equivalents	14(a)	1,882.5	1,882.5	1,183.6	1,183.6
Receivables:	6				
– Loans to related parties		2,933.3	2,933.3	3,013.9	3,013.9
– Trade and other receivables		6.5	6.5	12.1	12.1
Other financial assets:	10				
– IRS		29.4	29.4	57.4	57.4
– CCIRS		196.3	196.3	272.4	272.4
– FEC		16.2	16.2	–	–
– Investments in unlisted securities		23.9	23.9	18.2	18.2
		5,088.1	**5,088.1**	**4,557.6**	**4,557.6**
Financial liabilities					
Payables	7	256.4	256.4	387.9	387.9
Interest bearing liabilities[1]	9	2,576.3	2,673.1	2,584.3	2,958.8
Other financial liabilities:	10				
– IRS		12.5	12.5	36.8	36.8
– CCIRS		197.6	197.6	218.1	218.1
– FEC		24.6	24.6	19.5	19.5
		3,067.4	**3,164.2**	**3,246.6**	**3,621.1**

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2017.

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Fair value of financial instruments continued

The table below analyses financial instruments carried at fair value, by valuation method (see note 1(g)):

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2017				
Available for sale financial assets	–	–	23.9	23.9
Derivative financial assets	–	241.9	–	241.9
	–	241.9	23.9	265.8
Derivative financial liabilities	–	234.7	–	234.7
	–	234.7	–	234.7
As at 30 June 2016				
Available for sale financial assets	–	–	18.2	18.2
Derivative financial assets	–	329.8	–	329.8
	–	**329.8**	**18.2**	**348.0**
Derivative financial liabilities	–	274.4	–	274.4
	–	274.4	–	274.4

There were no transfers between the levels during the year.

Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by the Consolidated Entity consist of IRS, CCIRS and FEC.

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

12. PROVISION FOR DISTRIBUTIONS

Distribution payable

Provisions for distributions payable are recognised in the reporting period in which the distributions are declared for the entire undistributed amount regardless of the extent to which they will be paid in cash.

Distibutions declared and paid/payable by GIT

	Distribution cpu	Total amount $M	Date of payment
Distributions for the current financial year			
– 31 Dec 2016	12.7	227.2	24 Feb 2017
– 30 Jun 2017	13.2	236.2	28 Aug 2017
	25.9	**463.4**	
Distributions for the prior financial year			
– 31 Dec 2015	11.9	210.6	22 Feb 2016
– 30 Jun 2016	11.1	197.4	26 Aug 2016
	23.0	**408.0**	

Movement in provision for distributions to Unitholders

	2017 $M	2016 $M
Balance at the beginning of the year	197.4	194.6
Provisions for distributions	463.4	408.0
Distribution paid	(424.6)	(309.7)
Distribution reinvestment plan	–	(95.5)
Balance at the end of the year	**236.2**	**197.4**

Capital management continued

13. ISSUED CAPITAL

Ordinary units

Ordinary units of the Trust are classified as equity. Incremental costs directly attributable to issues of ordinary units and options are recognised as a deduction from equity, net of any tax effects.

	2017 $M	2016 $M
1,789,121,143 (2016: 1,778,318,630) fully paid units on issue	7,459.0	7,398.2
Less: Accumulated issue costs[1]	(148.5)	(148.5)
	7,310.5	**7,249.7**

1. Issue costs associated with the issue of units have been directly paid from the proceeds of the issues. These costs have been deducted from the issued capital in the statement of financial position, rather than charged as an expense of GIT, as they are considered to form part of the net equity raised.

Terms and conditions

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

	Units
Units on issue at 1 July 2015	1,753,035,922
Issued under the Goodman Group LTIP	9,824,337
Issued under the Goodman Group Tax Exempt Plan	41,712
Issued under the Goodman Group DRP	15,416,659
Units on issue at 30 June 2016	**1,778,318,630**
Units on issue at 1 July 2016	1,778,318,630
Issued under the Goodman Group LTIP	10,802,513
Units on issue at 30 June 2017	**1,789,121,143**

OTHER ITEMS

The notes in this section sets out other information that is required to be disclosed to comply with the Australian Accounting Standards, Corporations Act 2001 or Corporations Regulations.

14. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand at the bank and short-term deposits at call. Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2017 $M	2016 $M
Bank balances	582.5	883.6
Call deposits	1,300.0	300.0
	1,882.5	**1,183.6**

Other items continued

14. NOTES TO THE CASH FLOW STATEMENT CONTINUED

(b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	2017 $M	2016 $M
Profit for the year	**616.5**	**1,454.9**
Items classified as investing activities		
Net gain on disposal of investment properties	(173.9)	(36.4)
Net gain on disposal of controlled entities	(0.1)	(2.1)
Net gain on disposal of equity investments	(0.9)	(27.2)
Non-cash items		
Net gain from fair value adjustments on investment properties	(159.3)	(317.4)
Impairment reversals	–	(186.6)
Share of net results of equity accounted investments	(431.3)	(699.6)
Net finance expense/(income)	181.9	(149.8)
Income tax (credit)/expense	(5.9)	21.6
	27.0	**57.4**
Changes in assets and liabilities during the year:		
– Decrease in receivables	0.1	56.2
– Increase in inventories	(2.6)	(19.6)
– Decrease in other assets	3.7	6.1
– Decrease in payables	(0.7)	(8.4)
	27.5	91.7
Dividends/distributions received from equity accounted investments	273.3	205.1
Net finance costs paid, excluding cash outflow on debt modification	(112.4)	(250.8)
Net income taxes paid	(0.5)	(1.5)
Net cash provided by operating activities	**187.9**	**44.5**

(c) Non-cash transactions

Distribution reinvestment plan

The Goodman Group DRP was not in operation during the year.

In the prior year, the Goodman Group DRP was active for the August 2015 and February 2016 distributions. In relation to these distributions, $95.5 million was made in the form of stapled securities in Goodman Group.

Disposal of equity investment

There were no significant non-cash transactions during the year.

In the prior year, the Consolidated Entity received units in Goodman Property Trust (GMT) amounting to $34.5 million as deferred consideration for the sale of its entire interest in Highbrook Development Limited in prior years. The units in GMT were subsequently sold to a controlled entity of GL and settled via a related party loan.

Other items continued

15. RESERVES

	Note	2017 $M	2016 $M
Asset revaluation reserve	15(a)	12.3	7.4
Cash flow hedge reserve	15(b)	(1.5)	(5.9)
Foreign currency translation reserve	15(c)	(195.2)	(150.5)
Employee compensation reserve	15(d)	103.5	80.9
Total reserves		**(80.9)**	**(68.1)**

	2017 $M	2016 $M
(a) Asset revaluation reserve		
Balance at the beginning of the year	7.4	170.5
Increase due to revaluation of other financial assets	4.9	6.6
Transfers to accumulated losses	–	(170.1)
Effect of foreign currency translation	–	0.4
Balance at the end of the year	**12.3**	**7.4**
(b) Cash flow hedge reserve		
Balance at the beginning of the year	(5.9)	(5.0)
Change in value of financial instruments	4.4	(0.9)
Balance at the end of the year	**(1.5)**	**(5.9)**
(c) Foreign currency translation reserve		
Balance at the beginning of the year	(150.5)	21.8
Net exchange differences on conversion of foreign operations	(44.7)	(172.3)
Balance at the end of the year	**(195.2)**	**(150.5)**
(d) Employee compensation reserve		
Balance at the beginning of the year	80.9	64.7
Equity settled share based payments transaction relating to Goodman Group	22.6	16.2
Balance at the end of the year	**103.5**	**80.9**
Total reserves	**(80.9)**	**(68.1)**

16. ACCUMULATED LOSSES

	2017 $M	2016 $M
Balance at the beginning of the year	(318.0)	(1,514.9)
Profit attributable to Unitholders	597.8	1,434.8
Transfers from asset revaluation reserve	–	170.1
Distributions declared	(463.4)	(408.0)
Balance at the end of the year	**(183.6)**	**(318.0)**

Other items continued

17. NON-CONTROLLING INTERESTS

Goodman PLUS Trust, a controlled entity of GIT, has on issue 3.27 million hybrid securities with a face value of $100 per security (Goodman PLUS) that met the definition of equity for the Consolidated Entity and were presented as other non-controlling interests at 30 June 2017. Goodman PLUS are preferred, perpetual non-call securities which are listed on the ASX. Distributions under Goodman PLUS are discretionary and payable quarterly on 31 March, 30 June, 30 September and 31 December at a margin of 3.90% per annum over the three month Bank Bill Swap Rate. During the financial year, distributions declared to holders of hybrid securities were $18.7 million (2016: $20.1 million), or 572.0 cents per unit (2016: 614.8 cents per unit).

For the year ended 30 June 2017, the movement in Goodman PLUS was as follows:

	2017 $M	2016 $M
Balance at the beginning of the year	325.8	325.8
Profit attributable to non-controlling interests	18.7	20.1
Distributions paid/payable to holders of Goodman PLUS	(18.7)	(20.1)
Balance at the end of the year[1]	**325.8**	**325.8**

1. The non-controlling interest balance is net of issue costs.

On 12 July 2017, the Consolidated Entity notified Goodman PLUS unitholders of its intention to repurchase at par all the Goodman PLUS immediately following the payment of the coupon on 30 September 2017.

18. CONTROLLED ENTITIES

Controlled entities are entities controlled by the Trust. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Parent Entity as at 30 June 2017 and the results of all such entities for the year ended 30 June 2017.

Where an entity either began or ceased to be controlled during the year, the results for that entity are included only from/to the date control commenced or ceased.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

The significant controlled entities of GIT are set out below:

Significant controlled entities	Country of incorporation/establishment
GA Industrial Portfolio Trust	Australia
GIT Investments Holding Trust No.3	Australia
Goodman Australia Finance Pty Limited	Australia
Goodman Capital Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Hong Kong Investment Trust	Australia
Goodman PLUS Trust	Australia
Goodman Treasury Trust	Australia
Goodman Ultimo Trust	Australia
Homebush Subtrust	Australia
MGA Industrial Portfolio Trust	Australia
MIP Trust	Australia
MGI HK Finance	Cayman Islands
Goodman Finance (Jersey) Limited	Jersey
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman US Finance One, LLC	United States
Goodman US Finance Two, LLC	United States
Tarpon Properties REIT Inc	United States

Other items continued

18. CONTROLLED ENTITIES CONTINUED

Disposal of interests in controlled entities

During the year, the Consolidated entity disposed of its entire interest in the following wholly-owned controlled entities to GL for nominal consideration which reflected their fair value:

+ Goodman Coventry (Jersey) Ltd;
+ Goodman Ellesmere Port (Jersey) Ltd;
+ Goodman Holdings (Jersey) Ltd.
+ Goodman Logistics (Jersey) Ltd;
+ Goodman Maltby (Jersey) Ltd;
+ Goodman Property Holdings (Jersey) Ltd; and
+ Goodman Thurrock (Jersey) Ltd;

During the prior year, the Consolidated Entity disposed of its entire interest in:

+ Goodman Palmers Trust to GL for a nominal consideration which reflected its fair value; and
+ Goodman (Wynyard Precinct) Limited to a controlled entity of GL for net consideration of NZ$6.9 million which reflected its fair value.

The effect of the disposals on the statement of financial position of the Consolidated Entity is as follows:

	2017 $M	2016 $M
Total assets	81.7	89.4
Total liabilities	(81.7)	(85.2)
Net assets disposed, at fair value	**–**	**4.2**
Net consideration	**–**	**6.3**

19. RELATED PARTY DISCLOSURES

Key management personnel disclosures

GIT does not employ personnel in its own right. However, it is required to have an incorporated responsible entity to manage its activities and the Responsible Entity is considered to be the key management personnel of the Consolidated Entity.

Transactions with Responsible Entity

In accordance with GIT's Constitution, the Responsible Entity is entitled to be reimbursed where expenses have been incurred on behalf of GIT:

	2017 $	2016 $
Reimbursement of expenses	**23,987,478**	**20,734,606**

As at 30 June 2017, no amounts were owed to the Responsible Entity (2016: $nil).

Goodman Group

Other Goodman Group entities perform a number of services for the Consolidated Entity. The fees, costs and expenses for the services performed during the year were as follows:

	2017 $	2016 $
Property services fees (including property management and leasing)	2,448,426	4,338,200
Development management and project fees	2,250,000	3,619,566
Building manager costs reimbursed	778,229	1,001,481
Reimbursement of expenses	24,578,201	17,822,753
	30,054,856	**26,782,000**

In addition to the above, interest bearing loans exist between the Consolidated Entity and other Goodman Group entities. At 30 June 2017, interest bearing loans of $2,933.3 million (2016: $3,013.9 million) were receivable by the Consolidated Entity from other Goodman Group entities and $30.8 million (2016: $23.5 million) was payable by the Consolidated Entity to other Goodman Group entities. Loans to related Goodman Group entities bear interest at rates referenced to the Consolidated Entity's external funding arrangements.

Other items continued

19. RELATED PARTY DISCLOSURES CONTINUED

Transactions with associates and JVs

Transactions between the Consolidated Entity and its partnerships during the year were as follows:

	Revenue from disposals of assets		Interest charged on loans	
	2017 $M	2016 $M	2017 $M	2016 $M
Associates	263.4	19.5	–	–
JVs	–	–	–	0.1

Amounts due from partnerships at 30 June 2017 were as follows:

	Amount due from related parties[1]	
	2017 $M	2016 $M
Associates	–	1.9
JVs	4.3	0.7

1. Amounts due from related parties were receivable within 30 days.

20. COMMITMENTS

Partnerships

At 30 June 2017, the Consolidated Entity had an equity commitment of $96.2 million (2016: $89.7 million) into GEP.

In relation to GAIP and GEP, the Consolidated Entity offers limited liquidity facilities to investors, which allow the investors to sell to the Consolidated Entity some or all of their investment in the managed partnerships. Limits apply to these liquidity facilities and Goodman Group is only required to offer to purchase up to $7.5 million of the issued capital of GAIP each quarter and EUR 25 million of the issued capital of GEP each half year. Furthermore, the Consolidated Entity is only required to purchase units where its co-investment in GAIP or GEP is either below a prescribed limit or a maximum amount of liquidity has been provided. Currently, Goodman Group's interest (together with its custodian's interest) in GAIP and GEP is below the prescribed limit and both liquidity facilities are open for investors.

21. AUDITORS' REMUNERATION

	2017 $000	2016 $000
Audit services		
Auditor of GIT:		
– Audit and review of financial reports (KPMG Australia)	434.1	445.3
– Audit and review of financial reports (overseas KPMG firms)	97.8	158.3
	531.9	**603.6**
Other services		
– Other regulatory services (KPMG Australia)	47.7	30.8
– Other assurance services (KPMG Australia)	300.0	–
– Property advisory services (KPMG Australia)	58.8	–
– Taxation compliance services (KPMG Australia)	132.4	–
– Taxation compliance services (overseas KPMG firms)	6.3	14.7
– Taxation advice (overseas KPMG firms)	–	24.8
	545.2	**70.3**
Total paid/payable to KPMG	**1,077.1**	**673.9**
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	–	–

Other items continued

22. PARENT ENTITY DISCLOSURES

The individual financial statements of the Parent Entity show the following aggregate amounts:

	2017 $M	2016 $M
Result of the Parent Entity		
Profit for the year	123.7	732.2
Total comprehensive income for the year	**123.7**	**732.2**
Financial position of the Parent Entity at year end		
Current assets	1,146.7	1,638.4
Total assets	4,826.4	5,231.5
Current liabilities	224.8	382.4
Total liabilities	236.6	382.4
Net assets	**4,589.8**	**4,849.1**
Total equity of the Parent Entity comprising:		
Issued capital	7,310.5	7,249.7
Reserves	100.4	80.7
Accumulated losses	(2,821.1)	(2,481.3)
Total equity	**4,589.8**	**4,849.1**

Parent Entity capital commitments

The Parent Entity has no capital commitments (2016: $nil).

Parent Entity contingencies

Capitalisation Deed Poll

GIT, GL, GLHK and certain of their wholly-owned controlled entities are “investors” under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 9(b)), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, repayable on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 9(c)), controlled entities of GIT had on issue US$325.0 million of notes repayable on 12 November 2020, US$499.9 million repayable on 15 April 2021 and US$499.9 million repayable on 22 March 2022. GL, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

Goodman PLUS guarantee

Goodman Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of the moneys owing under the terms of issue to the holders of Goodman PLUS (refer to note 17).

Stapling agreement with GL and GLHK

In accordance with the stapling agreement between GIT, GL and GLHK, 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.

23. EVENTS SUBSEQUENT TO BALANCE DATE

On 12 July 2017, the Consolidated Entity notified Goodman PLUS unitholders of its intention to repurchase at par all the Goodman PLUS ($327.0 million) immediately following the payment of the coupon on 30 September 2017. There was no change in classification of Goodman PLUS or adjustment to the statement of financial position at 30 June 2017 as a result of this notification.

DIRECTORS' DECLARATION
GOODMAN INDUSTRIAL TRUST AND ITS CONTROLLED ENTITIES

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

(a) the consolidated financial statements and the notes that are set out on pages 112 to 146, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors of the Responsible Entity have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

The directors of the Responsible Entity draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of the Responsible Entity.

Ian Ferrier, AM
Independent Chairman

Gregory Goodman
Group Chief Executive Officer

Sydney, 21 August 2017

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF GOODMAN INDUSTRIAL TRUST

KPMG

Opinion

We have audited the Financial Report of Goodman Industrial Trust (the Trust).

In our opinion, the accompanying Trust Financial Report is in accordance with the *Corporations Act 2001*, including:

+ giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
+ complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report of the Trust comprises:

+ Consolidated statement of financial position as at 30 June 2017;
+ Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended;
+ Notes including a summary of significant accounting policies; and
+ Directors' Declaration.

The Trust consists of Goodman Industrial Trust and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Trust and Goodman Funds Management Limited (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Other Information

Other Information is financial and non-financial information in Goodman Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Goodman Group and the Responsible Entity are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

+ preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
+ implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
+ assessing the Trust's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

+ to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
+ to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf.

This description forms part of our Auditor's Report.

KPMG

KPMG

John Teer
Partner
Sydney

21 August 2017

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REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited ("the Company") and its subsidiaries (collectively referred to as the "Consolidated Entity") for the year ended 30 June 2017.

INCORPORATION AND PRINCIPAL PLACE OF BUSINESS

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, fund management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 17 to the consolidated financial statements.

FINANCIAL STATEMENTS

The financial performance of the Consolidated Entity for the year ended 30 June 2017 and the Consolidated Entity's financial position at that date are set out in the consolidated financial report on pages 159 to162 .

During FY17, the Company declared and paid a final dividend of 1.0 cent per share amounting to $17.8 million (2016: $nil). This dividend was paid from the FY16 profit after tax and there is no current intention for the Company to pay a dividend in respect of the FY17 result.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 13 to the financial statements.

DIRECTORS

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

Philip Yan Hok Fan
Ian Douglas Ferrier, AM
Gregory Leith Goodman (resigned as a director on 20 September 2016 and appointed alternate director to Ian Douglas Ferrier on the same date)
Philip John Pearce (resigned on 12 July 2016)

DIRECTORS OF CONTROLLED ENTITIES

The names of directors who have served on the boards of the controlled entities of the Company during the year ended 30 June 2017 are set out below:

Godfrey Abel
Philippe Arfi
Shairah Begum Binti Kadar Bashah
Richard Thomas Brooks
Tai Yit Chan
Edwin Chong Chee Wai
Blazej Andrzej Ciesielczak
Kim Cornille
John Morton Dakin
Karl Dockx
Gregory Leith Goodman
Kristoffer Allan Harvey
David Anthony Hinchey
Henry Kelly
Nick Kurtis
Chee Seong Lee
Wai Ho Stephen Lee
Shiling Li
Bart Manteleers
Tan Ai Ning
Jan Palek
Danny Peeters
Christof Prange
Dominique Prince
Hong Shen
Lien Standaert
Philippe Van der Beken
Emmanuel Van der Stichele
Simone Marlene Weyermanns
Jie Yang
Xiaoyin Zhang

STATE OF AFFAIRS

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

BUSINESS REVIEW

Goodman Group's strategy

Goodman Group's vision is to be a global leader in industrial property. This vision is executed through the integrated "own+develop+manage" business model which is supported by five strategic "pillars". These pillars are:

+ **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, capital partners, suppliers and employees;
+ **Quality product and service** – deliver high quality product and customer service in key logistics markets globally by actively leveraging Goodman Group's industrial sector expertise, development and management experience and global operating platform;
+ **Culture and brand** – promote Goodman Group's unique and recognisable brand and embed Goodman Group's core values across each operating division to foster a strong and consistent culture;
+ **Operational efficiency** – optimise business resources to ensure effectiveness and drive efficiencies; and
+ **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

PERFORMANCE REVIEW

The key performance indicators relate to the property investment, development and management activities associated with Goodman Group's integrated business model. These income streams exist within each of Goodman Group's geographical segments, being Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas. The results of the Consolidated Entity include property investment, development and management earnings in Asia, Continental Europe and the United Kingdom.

	Consolidated	
	2017 $M	2016 $M
Analysis of operating earnings		
Property investment	30.4	30.5
Development	233.9	203.8
Management	98.0	95.1
Operating expenses	(97.4)	(93.2)
Operating earnings before net finance expense and income tax expense (operating EBIT)	**264.9**	**236.2**

Operating earnings comprises profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash adjustments or non-recurring items. While operating earnings is not an income measure under Hong Kong Financial Reporting Standards, the directors consider it a useful means through which to examine the underlying performance of the Consolidated Entity.

PROPERTY INVESTMENT ACTIVITIES

	2017 $M	2016 $M
Net property income	6.1	8.1
Managed partnerships	24.3	22.4
	30.4	**30.5**

Key metrics	2017	2016
Weighted average capitalisation rate (%)[1]	6.0	6.3
Weighted average lease expiry (years)	4.4	4.7
Occupancy (%)	97.4	93.0

1. In order to align with current practice, the capitalisation rate for the China portfolios included in the weighted average capitalisation rate for the Consolidated Entity has been presented net of property taxes. In prior periods, the rates were presented gross and the resultant weighted average capitalisation rate for the Consolidated Entity at 30 June 2016 was 7.3%.

Property investment earnings comprise direct property income from investment properties, completed developments held for sale and the Consolidated Entity's share of the results of property investment joint ventures (JVs) (referred to by the Consolidated Entity as "managed partnerships").

Net property income decreased from the prior year due to the disposal of a stabilised investment property in Continental Europe during the second half of FY17. At 30 June 2017, the Consolidated Entity no longer directly owns stabilised investment property although may continue to receive net property income from completed development assets prior to disposal.

An increase in occupancy rates, as well as higher cornerstone investment in partnerships has resulted in a corresponding increase in the share of net results of managed partnerships.

DEVELOPMENT ACTIVITIES

	2017 $M	2016 $M
Net income	196.5	203.8
Managed partnerships	37.4	–
	233.9	**203.8**

Key metrics	2017	2016
Work in progress ($ billion)	1.5	1.4
Work in progress (million square metres)	1.6	1.4
Work in progress (number of developments)	42	41
Developments completed during the year (number of developments)	42	40

Development earnings comprise development income (including development management fees) net of expenses, income from sales of properties (primarily inventories but also including disposals of special purpose entities in certain jurisdictions) and the Consolidated Entity's share of the results of property development JVs. The key drivers for maintaining or growing the Consolidated Entity's development earnings are maintaining both the level of development activity and development margins and the continued availability of third party capital to fund development activity.

The Consolidated Entity's development business performed strongly during the year, contributing $233.9 million of income, an increase of $30.1 million compared with the prior financial year. The strong development performance experienced by Continental Europe has continued into the current year. In addition, the completion and sale of an asset in a managed partnership in Japan has also been a major contributor to operating EBIT. Structural and cyclical themes have continued to provide positive tailwinds for the Consolidated Entity, with developments positioned to take advantage of the growth of e-commerce, changes in consumer spending and customers seeking efficiencies in their supply chain network. The Consolidated Entity still sees development as the best means of accessing high quality product in the markets it operates in given the strength in asset pricing and capitalisation rates at 30 June 2017.

MANAGEMENT ACTIVITIES

	2017 $M	2016 $M
Management income	98.0	95.1

Key metrics	2017	2016
Number of managed vehicles	8	8
External assets under management ("AUM") (end of period) ($ billion)	13.6	12.3

Management earnings comprise fund management and property services fees. The key drivers for maintaining or growing management earnings are increasing the level of AUM which can be impacted by property valuations and which are also dependent on the continued availability of third party capital to fund both development activity and acquisitions across Goodman Group's managed partnerships.

Management activities contributed $98.0 million of income, an increase of $2.9 million compared with the prior financial year. Management activity levels remained strong, driven by transactional activities and the continued growth in AUM across all the regions the Consolidated Entity operates in.

Goodman Group's managed partnerships remain well supported by its investment partners, endorsing Goodman Group's contemporary investment management approach and independent governance structures. The Consolidated Entity is prudently managing capital on behalf of investment partners to access high quality growth opportunities not typically available in the market.

STATEMENT OF FINANCIAL POSITION

	2017 $M	2016 $M
Stabilised investment properties	–	25.3
Cornerstone investments in managed partnerships	651.4	629.5
Development holdings	622.4	529.6
Cash	107.9	67.3
Other assets	287.0	242.8
Total assets	**1,668.7**	**1,494.5**
Loans from related parties	852.3	842.7
Other liabilities	126.4	153.2
Total liabilities	**978.7**	**995.9**
Non-controlling interests	23.6	18.1
Net assets attributable to Shareholders	**666.4**	**480.5**

The value of cornerstone investments in managed partnerships has increased by $21.9 million to $651.4 million. A reconciliation of the current year movement in cornerstone investments in managed partnerships is detailed in note 6(f) to the consolidated financial statements. Distributions of income and capital from cornerstone investments in the current year amounted to $94.9 million, principally due to development activity in Japan.

The increase in other development holdings is mainly due to construction contract receivables relating to ongoing development projects in Continental Europe.

Loans from related parties were $852.3 million compared to $842.7 million at 30 June 2016, an increase of $9.6 million. The increase is primarily due to additional loans of $28.7 million, offset by movement in foreign currencies of $19.1 million.

CASH FLOW

	2017 $M	2016 $M
Operating cash flows	108.4	358.6
Investing cash flows	(1.7)	(116.2)
Financing cash flows	(64.1)	(271.6)
Net increase/(decrease) in cash held	**42.6**	**(29.2)**
Effect of exchange rate fluctuations on cash held	(2.0)	4.2
Cash at the end of the year	107.9	67.3

The decrease in operating cash flows from the prior year is attributable to the timing of completion of development projects. While development activity continued to be strong in the current year, there are a number of projects due for completion in the next financial year at which time the developments will be disposed and cash will be received.

Investing cash flows have decreased compared with the prior year. Payments for equity investments in the current year have been offset by proceeds received from the sale of an investment property in Continental Europe and distributions of capital received from a managed partnership in Japan.

Financing cash flows have decreased from the prior year as less operating cash flows were available to repay related party debt. Included in current year financing cash flows is a dividend of $17.8 million paid to shareholders in August 2016.

OUTLOOK

The focused and consistent execution of Goodman Group's business strategy, has created a strong, globally diversified platform that will sustain earnings growth for future periods and create long-term value for securityholders, customers and investment partners.

The Consolidated Entity continues to see strong ongoing demand for prime industrial space across the portfolio and will maintain its disciplined strategy of investing in the large, wealthy consumer dominated cities around the world, where demand is strongest and scarcity of land will see higher valuation growth and returns over the long term. The quality and location of the portfolios are expected to support future growth in gross property income in the managed partnerships.

Development will continue to be driven by e-commerce and customers seeking high quality, modern facilities to achieve cost efficiencies. A strong development business coupled with the demand from investment partners seeking high quality, well-located industrial assets will support the growth in assets under management. This in turn will increase management income and the consistently strong returns over the past few years are expected to give rise to portfolio performance fee income as partnerships approach renewal dates.

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

RISKS

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

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

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

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

	Risk area	Mitigation
Capital management	Availability of capital from investors and financial institutions supports the sustainability of the business	+ Board approved Financial Risk Management policy + Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Board + Diversification of debt funding sources and maturities + Diversification of investment partners
Economic environment	Uncertainty regarding global growth and volatility of global financial markets creates a challenging operating environment	+ Global diversification of Goodman's property portfolios + Focus on core property portfolios in key gateway locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks
Governance, regulation and compliance	Changes to the regulatory environments (including tax) impact Goodman's business	+ Embedded compliance culture within Goodman focused on best practice + Dedicated compliance officers + Review of transactions by the Group Investment Committee
Development	Overall development risk is higher given development led approach at this stage in the cycle. Risks may arise from location, site complexity, infrastructure, contamination, climate and other environmental factors, along with general contractor capability	+ Review of development projects by the Group Investment Committee + Goodman defined design specifications, which cover environmental, technological, and safety requirements, protecting against short term obsolescence + Internal audit reviews with reporting to the Risk & Compliance Committee + Insurance programme, both Goodman and general contractor + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Board oversight
Asset management and leasing	Leasing risk exposures can reduce returns from Goodman's portfolios	+ Diversification of customer base and lease expiry + Review of significant leasing transactions and development projects by the Group Investment Committee
Investment management	Relationships with capital partners underpin Goodman's management activities	+ Standardised governance structures for managed partnerships + Independent governance structures for managed partnerships
People	The executive management team supports the sustainability of the business	+ Succession planning for senior executives + Competitive remuneration structures + Performance management and review
Information and data security	Technology is a major component in operations and supports sustainability and growth	+ Ongoing monitoring and reporting of security risks to the Information Technology Security Council + Disaster recovery and business continuity planning and testing

ENVIRONMENTAL REGULATIONS

The Consolidated Entity has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of the Consolidated Entity's operations that are subject to significant environmental regulation under the laws of the countries the Consolidated Entity operates in. The directors have determined that the Consolidated Entity has complied with those obligations during the financial year and that there has not been any material breach.

DISCLOSURE IN RESPECT OF ANY INDEMNIFICATION OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Consolidated Entity's business to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN SHARES

At the end of the year, the directors (including alternate directors) held the following interests in the stapled securities of Goodman Group, which are listed on the ASX:

Directors	Direct securities	Indirect securities	Total
Mr Philip Yan Hok Fan	93,258	–	93,258
Mr Ian Douglas Ferrier	186,982	–	186,982
Mr Gregory Leith Goodman	6,252	37,976,923	37,983,175
Mr Philip John Pearce[1]	225,000	–	225,000

1. Reflects number of securities at the date Mr Philip John Pearce ceased to be a director.

In addition, Mr Gregory Leith Goodman participates in the Goodman Group Long Term Incentive Plan ("LTIP") under which he holds performance rights. Performance rights entitle participants to receive Goodman Group stapled securities without the payment of consideration, subject to Goodman Group satisfying performance criteria and the participants remaining employees of Goodman Group.

Details of the awards of performance rights under the LTIP granted as compensation to Mr Gregory Leigh Goodman at 30 June 2017 and Mr Philip John Pearce at the date of his resignation are as follows:

	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights vested during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Mr Gregory Leith	–	2,400,000	–	–	2,400,000	30 Sep 16	2020 – 2022
Goodman	2,000,000	–	–	–	2,000,000	25 Nov 15	2019 – 2021
	995,476		–	–	995,476	20 Nov 14	2018 – 2020
	947,368	–	(298,421)	(52,104)	596,843	22 Nov 13	2017 – 2019
	618,102	–	(309,051)	–	309,051	16 Nov 12	2016 – 2018
	325,033	–	(325,033)	–	–	25 Nov 11	2015 – 2017
Mr Philip John	450,000	–	–	–	450,000	25 Nov 15	2019 – 2021
Pearce	497,738	–	–	–	497,738	20 Nov 14	2018 – 2020
	394,737	–	–	–	394,737	22 Nov 13	2017 – 2019
	198,676	–	–	–	198,676	16 Nov 12	2016 – 2018
	66,333	–	–	–	66,333	30 Sep 11	2015 – 2017

Apart from the above, at no time during the year was the Company, its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other related body corporate.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

SUBSEQUENT EVENTS

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

DECLARATION BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporation s Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2017.

By order of the board of directors

Philip Fan

Ian Douglas Ferrier, AM
Independent Chairman

Philip Yan Hok Fan
Independent Director

Sydney, 21 August 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOODMAN LOGISTICS (HK) LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

KPMG

Opinion

We have audited the consolidated financial statements of Goodman Logistics (HK) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 159 to 162, which comprise the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information which comprises all the information included in the Company's Report of the directors.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

KPMG

Auditor's responsibilities for the audit of the consolidated financial statements continued

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

+ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
+ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
+ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
+ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
+ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017
(EXPRESSED IN AUSTRALIAN DOLLARS)

	Note	2017 $M	2016 $M
Current assets			
Cash	14(a)	107.9	67.3
Inventories	6(b)	127.1	125.9
Receivables	7	515.2	303.3
Current tax receivables	4(c)	0.2	0.2
Other assets		2.0	2.4
Total current assets		**752.4**	**499.1**
Non-current assets			
Inventories	6(b)	188.3	261.2
Investment properties	6(b)	22.5	45.2
Investments accounted for using the equity method	6(b)	651.4	629.5
Receivables	7	26.6	26.6
Other financial assets	10	20.5	16.6
Plant and equipment		5.6	7.6
Other assets		1.4	8.7
Total non-current assets		**916.3**	**995.4**
Total assets		**1,668.7**	**1,494.5**
Current liabilities			
Payables	8	76.0	106.2
Loans from related parties	18(c)	795.8	832.7
Current tax payables	4(c)	15.3	15.3
Employee benefits		20.0	21.6
Total current liabilities		**907.1**	**975.8**
Non-current liabilities			
Payables	8	15.0	6.7
Loans from related parties	18(c)	56.5	10.0
Deferred tax liabilities	4(d)	0.1	0.1
Employee benefits		–	0.7
Provisions		–	2.6
Total non-current liabilities		**71.6**	**20.1**
Total liabilities		**978.7**	**995.9**
Net assets		**690.0**	**498.6**
Equity attributable to Shareholders			
Share capital	13(a)	661.1	650.8
Reserves	15	(548.7)	(526.1)
Retained earnings	16	554.0	355.8
Total equity attributable to Shareholders		**666.4**	**480.5**
Non-controlling interests		23.6	18.1
Total equity		**690.0**	**498.6**

The notes on pages 163 to 185 form part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 21 August 2017

Ian Douglas Ferrier, AM
Director

Philip Yan Hok Fan
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017
(EXPRESSED IN AUSTRALIAN DOLLARS)

	Note	2017 $M	2016 $M
Revenue			
Gross property income		10.3	14.0
Management income		98.0	95.1
Development income	2	856.4	913.0
Dividends from investments		3.7	8.5
		968.4	**1,030.6**
Property and development expenses			
Property expenses		(4.2)	(5.9)
Development expenses	2	(662.7)	(717.7)
		(666.9)	**(723.6)**
Other income/(losses)			
Net loss from fair value adjustments on investment properties	6(e)	–	(9.0)
Net loss on disposal of investment properties		(0.9)	–
Share of net results of equity accounted investments	6(f)	86.7	66.2
		85.8	**57.2**
Other expenses			
Employee expenses		(72.7)	(66.1)
Share based payments expense		(22.7)	(22.2)
Administrative and other expenses		(24.7)	(27.1)
Impairment reversals/(losses)	2	0.2	(16.8)
		(119.9)	**(132.2)**
Profit before interest and income tax	**2**	**267.4**	**232.0**
Net finance income/(expense)			
Finance income	9	1.0	0.6
Finance expense	9	(33.2)	(26.2)
Net finance expense		**(32.2)**	**(25.6)**
Profit before income tax		**235.2**	**206.4**
Income tax expense	4	(13.8)	(25.5)
Profit for the year		**221.4**	**180.9**
Profit for the year attributable to:			
Shareholders	16	216.0	174.1
Non-controlling interests		5.4	6.8
Profit for the year		**221.4**	**180.9**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Increase/(decrease) due to revaluation of other financial assets		5.7	(5.3)
Effect of foreign currency translation		(33.0)	(14.8)
Other comprehensive loss for the year		**(27.3)**	**(20.1)**
Total comprehensive income for the year		**194.1**	**160.8**
Total comprehensive income for the year attributable to:			
Shareholders		188.6	153.8
Non-controlling interests		5.5	7.0
Total comprehensive income for the year		**194.1**	**160.8**

The notes on pages 163 to 185 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017
(EXPRESSED IN AUSTRALIAN DOLLARS)

Year ended 30 June 2016

Consolidated	Note	Attributable to Shareholders: Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
Balance at 1 July 2015		**631.9**	**(514.8)**	**186.3**	**303.4**	**10.5**	**313.9**
Total comprehensive income for the year							
Profit for the year	16	–	–	174.1	**174.1**	6.8	**180.9**
Other comprehensive (loss)/income for the year		–	(20.3)	–	**(20.3)**	0.2	**(20.1)**
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(20.3)**	**174.1**	**153.8**	**7.0**	**160.8**
Transfers		–	4.6	(4.6)	**–**	–	**–**
Contributions by and distributions to owners							
Issue of shares under Goodman Group's distribution reinvestment plan (DRP)	13(a)	11.5	–	–	**11.5**	–	**11.5**
Issue of shares to employees of Goodman Group	13(a)	7.4	–	–	**7.4**	–	**7.4**
Acquisition of additional equity in non-controlling interests					**–**	0.6	**0.6**
Equity settled share based payment transactions	15(c)	–	4.4	–	**4.4**	–	**4.4**
Balance at 30 June 2016		**650.8**	**(526.1)**	**355.8**	**480.5**	**18.1**	**498.6**

Year ended 30 June 2017

Consolidated	Note	Attributable to Shareholders: Share capital $M	Reserves $M	Retained earnings $M	Total $M	Non-controlling interests $M	Total equity $M
Balance at 1 July 2016		**650.8**	**(526.1)**	**355.8**	**480.5**	**18.1**	**498.6**
Total comprehensive income for the year							
Profit for the year	16	–	–	216.0	**216.0**	5.4	**221.4**
Other comprehensive (loss)/income for the year		–	(27.4)	–	**(27.4)**	0.1	**(27.3)**
Total comprehensive (loss)/income for the year, net of income tax		**–**	**(27.4)**	**216.0**	**188.6**	**5.5**	**194.1**
Contributions by and distributions to owners							
Dividend paid	12	–	–	(17.8)	**(17.8)**	–	**(17.8)**
Issue of shares to employees of Goodman Group	13(a)	10.3	–	–	**10.3**	–	**10.3**
Equity settled share based payment transactions	15(c)	–	4.8	–	**4.8**	–	**4.8**
Balance at 30 June 2017		**661.1**	**(548.7)**	**554.0**	**666.4**	**23.6**	**690.0**

The notes on pages 163 to 185 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017
(EXPRESSED IN AUSTRALIAN DOLLARS)

	Note	2017 $M	2016 $M
Cash flows from operating activities			
Property income received		11.9	16.3
Cash receipts from development activities		661.3	1,028.9
Other cash receipts from services provided		98.0	97.1
Property expenses paid		(4.5)	(5.0)
Payments for development activities		(610.6)	(694.3)
Other cash payments in the course of operations		(82.3)	(86.2)
Dividends/distributions received		49.8	18.1
Interest received		0.1	–
Finance costs paid		(1.5)	(0.5)
Net income taxes paid		(13.8)	(15.8)
Net cash provided by operating activities	14(b)	**108.4**	**358.6**
Cash flows from investing activities			
Proceeds from disposal of investment properties		23.5	–
Payments for investment properties		(2.8)	(0.5)
Capital return from equity investments		48.8	16.9
Payments for equity investments		(71.5)	(129.0)
Payments for plant and equipment		(0.2)	(3.6)
Payments for controlled entities, net of cash acquired		0.5	–
Net cash used in investing activities		**(1.7)**	**(116.2)**
Cash flows from financing activities			
Net payment of loans with related parties		(46.3)	(271.6)
Dividend paid		(17.8)	–
Net cash used in financing activities		**(64.1)**	**(271.6)**
Net increase/(decrease) in cash held		42.6	(29.2)
Cash at the beginning of the year		67.3	92.3
Effect of exchange rate fluctuations on cash held		(2.0)	4.2
Cash at the end of the year	14(a)	**107.9**	**67.3**

The notes on pages 163 to 185 form part of these consolidated financial statements.

Basis of preparation

1. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for investment properties and other financial assets which are stated at fair value.

As at 30 June 2017, the Consolidated Entity had net current liabilities of $154.7 million. In accordance with the stapling agreement between the Company ("GLHK"), Goodman Limited ("GL") and Goodman Funds Management Limited as responsible entity for Goodman Industrial Trust ("GIT"), on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

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

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

On the basis of the above, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a controlled entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. When an entity ceases to be controlled by the Company, it is accounted for as a disposal of the entire interest in the entity, with a resulting gain or loss being recognised in the statement of comprehensive income.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

Joint ventures

A joint venture (JV) is an arrangement (referred to by the Consolidated Entity as a "managed partnership") in which the Consolidated Entity has joint control, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the JVs' net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with JVs, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to JVs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of an asset.

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(c) Principles of consolidation continued

Combination of entities or businesses under common control

Where the Consolidated Entity acquires entities or businesses from other members of Goodman Group such that all of the combining entities (businesses) are ultimately controlled by Goodman Group Securityholders both before and after the combination, the Consolidated Entity applies the pooling of interests method.

At the date of the combination of entities under common control, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities that would otherwise be done under the acquisition method. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration transferred and the equity "acquired" by the Consolidated Entity is reflected within equity (common control reserve).

Similar to the acquisition method, the results of the "acquired" entity are included only from the date control commenced. Comparatives are not restated to present the consolidated financial statements as if the entities had always been combined.

(d) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated to each entity's functional currency at rates approximating the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated at rates of exchange applicable at the date of the initial transaction. Non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates applicable at the reporting date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in the foreign currency translation reserve on consolidation.

(e) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Consolidated Entity. Of these, the following developments are relevant to the Consolidated Entity's financial statements:

+ Annual Improvements to HKFRSs 2012-2014 Cycle
+ Amendments to HKAS 16, Property, Plant and Equipment
+ Amendments to HKAS 27, Separate Financial Statements
+ Amendments to HKFRS 10, Consolidated Financial Statements
+ Amendments to HKFRS 12, Disclosure of Interests in Other Entities
+ Amendments to HKAS 28, Investments in Associates and Joint Ventures
+ Amendments to HKAS 1, Presentation of Financial Statements

The adoption of the above revisions and amendments to existing standards did not have any material impact on the preparation of the consolidated financial statements.

(f) Accounting standards issued but not yet effective

Up to the date of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 30 June 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Consolidated Entity:

+ revisions to HKFRS 9 Financial Instruments include requirements for the classification and measurement of financial assets and replaces HKAS 39 Financial Instruments: Recognition and Measurement. The revised HKFRS 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The new standard is not expected to have a material impact on the Consolidated Entity's financial statements. At 30 June 2017, the Consolidated Entity had equity investments classified as held for sale with a fair value of $20.5 million. On initial application of HKFRS 9, the Consolidated Entity may elect to classify these investments as fair value through other comprehensive income or fair value through the profit or loss. The Consolidated Entity has yet to make a decision on the classification; and
+ HKFRS 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The Consolidated Entity's principal revenue streams have been reviewed and the new standard is not expected to impact gross property income and management income. For development income, based on the Consolidated Entity's current contractual arrangements, there would be no material impact on revenue recognition although additional disclosure might be required in respect of material construction contract activities that are accounted for on a percentage of completion basis; and
+ HKFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The new standard will become mandatory for the Consolidated Entity's 30 June 2020 financial statements and will result in the gross up of assets and liabilities where the Consolidated Entity leases office buildings, motor vehicles and development land classified as inventories. The financial impact arising from the gross up of office building and motor vehicle leases is not expected to be material. The financial impact from the gross up of development land leased by the Consolidated Entity will depend on the land leases held at the time of implementation of the new standard.

Basis of preparation continued

1. BASIS OF PREPARATION CONTINUED

(g) Critical accounting estimates used in the preparation of the consolidated financial statements

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

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

+ Note 6 – Property assets; and
+ Note 11 – Financial risk management.

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

Measurement of fair values

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

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

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

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

+ Note 6 – Property assets; and
+ Note 11 – Financial risk management.

Results for the year

2. PROFIT BEFORE INTEREST AND TAX

Gross property income

Gross property income comprises rental income entitlements under operating leases, net of incentives provided, plus recoverable outgoings.

Rental income entitlements under operating leases are recognised on a straight-line basis over the term of the lease contract. Where operating lease rental income is recognised relating to fixed increases in rentals in future years, an asset is recognised. This asset is a component of the relevant investment property carrying amount. The cost of lease incentives provided to customers is recognised on a straight-line basis over the life of the lease as a reduction of gross property income.

Recoverable outgoings are recognised as income when the relevant outgoings are recorded as an expense.

Management income

Fee income derived from investment management and property services is recognised progressively as the services are provided. Any performance related investment management income is recognised when the services have been performed and the income can be reliably measured.

Development income

Development income comprises fee income from development management services, income from fixed price construction contracts and income from disposal of inventories.

Fee income from development management services is recognised progressively as the services are provided in proportion to the stage of completion by reference to costs incurred. Any performance related development management income is recognised on attainment of the performance related conditions.

Certain development management arrangements are assessed as being fixed price construction contracts rather than a rendering of services. Revenue and expenses relating to construction contracts are recognised in the statement of comprehensive income in proportion to the stage of completion of the relevant contracts. The stage of completion is assessed by reference to costs incurred to date as a percentage of estimated total costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

The disposal of inventories is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of inventories is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the statement of comprehensive income in the period of disposal.

Disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the property at the time of the disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the statement of comprehensive income in the period of disposal.

Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave that are expected to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to the reporting date. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense as incurred.

Results for the year continued

2. PROFIT BEFORE INTEREST AND TAX CONTINUED

	2017 $M	2016 $M
Profit before interest and income tax has been arrived at after crediting/(charging) the following items:		
Income from disposal of inventories	156.0	303.0
Net gain on disposal of special purpose development entities	17.7	15.2
Other development income	682.7	594.8
Development income	**856.4**	**913.0**
Inventory cost of sales	(121.0)	(237.4)
Other development expenses	(541.7)	(480.3)
Development expenses	**(662.7)**	**(717.7)**
Impairment reversals/(losses) on receivables	0.2	(2.0)
Impairment losses on inventories	–	(14.8)
Impairment reversals/(losses)	**0.2**	**(16.8)**
Salaries, wages and other benefits	(72.0)	(65.3)
Contributions to defined contribution retirement plans	(0.7)	(0.8)
Operating lease expense	(7.0)	(7.6)
Depreciation of plant and equipment	(2.4)	(4.0)
Auditor's remuneration	**(0.6)**	**(0.6)**

3. SEGMENT REPORTING

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

Operating segment information is reported on a geographic basis and the Consolidated Entity has determined that its operating segments are Asia (which consists of China, Hong Kong and Japan), Continental Europe and the United Kingdom.

The activities and services undertaken by the operating segments include:

+ property investment, comprising the Consolidated Entity's cornerstone investments in managed partnerships;
+ management activities, both fund and property management; and
+ development activities, including development of directly owned assets (predominantly disclosed as inventories) and management of development activities for the Consolidated Entity's managed partnerships.

The segment results that are reported to the Group Chief Executive Officer are based on profit before net finance expense and income tax expense, and also exclude non-cash items such as fair value adjustments and impairments, corporate expenses and incentive based remuneration. The assets allocated to each operating segment primarily include inventories, and the operating segment's investments in managed partnerships, but exclude receivables from GL, GIT and their controlled entities, income tax receivables and corporate assets. The liabilities allocated to each operating segment primarily relate to trade and other payables associated with the operating activities, but exclude payables to GL, GIT and their controlled entities, provision for dividends to Shareholders, income tax payables and corporate liabilities.

The accounting policies used to report segment information are the same as those used to prepare the consolidated financial statements for the Consolidated Entity.

There are no intersegment transactions.

Results for the year continued

3. SEGMENT REPORTING CONTINUED

Information about reportable segments

	Asia		Continental Europe		United Kingdom		Total	
Consolidated statement of comprehensive income	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
External revenue								
Gross property income	1.0	2.4	9.3	11.6	–	–	10.3	14.0
Management income	53.7	49.8	44.3	45.3	–	–	98.0	95.1
Development income	43.0	23.7	813.4	889.3	–	–	856.4	913.0
Dividends from investments	3.7	8.5	–	–	–	–	3.7	8.5
Total external revenue	**101.4**	**84.4**	**867.0**	**946.2**	**–**	**–**	**968.4**	**1,030.6**
Reportable segment profit/(loss) before income tax	**120.6**	**70.6**	**167.0**	**186.2**	**1.1**	**(0.4)**	**288.7**	**256.4**
Other key components of financial performance included in reportable segment profit before income tax								
Share of net results of equity accounted investments (before fair value adjustments)	54.8	16.9	5.8	5.4	1.1	0.1	61.7	22.4
Material non-cash items not included in reportable segment profit before income tax								
Net loss from fair value adjustments on investment properties	–	–	–	(9.0)	–	–	–	(9.0)
Share of fair value adjustments in equity accounted investments	22.8	23.8	0.2	13.9	2.0	6.1	25.0	43.8
Consolidated statement of financial position	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Reportable segment assets	774.5	752.6	697.4	641.3	89.6	36.3	1,561.5	1,430.2
Investments accounted for using the equity method (included in reportable segment assets)	514.0	507.7	89.2	86.8	48.2	35.0	651.4	629.5
Total non-current assets	642.2	639.5	225.9	320.9	48.2	35.0	916.3	995.4
Reportable segment liabilities	**31.2**	**39.4**	**66.6**	**87.4**	**–**	**–**	**97.8**	**126.8**

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

	2017 $M	**2016 $M**
Revenue		
Total revenue for reportable segments	968.4	1,030.6
Consolidated revenue	**968.4**	**1,030.6**
Profit or loss		
Total profit before income tax for reportable segments	**288.7**	**256.4**
Corporate expenses not allocated to reportable segments	(23.8)	(20.2)
Operating profit before net finance expense and income tax expense	**264.9**	**236.2**
Valuation and other adjustments not included in reportable segment profit before income tax:		
– Net loss from fair value adjustments on investment properties	–	(9.0)
– Impairment reversals/(losses)	0.2	(16.8)
– Share of fair value adjustments in equity accounted investments	25.0	43.8
– Share based payments expense	(22.7)	(22.2)
Net finance expense – refer to note 9	(32.2)	(25.6)
Consolidated profit before income tax	**235.2**	**206.4**
Assets		
Total assets for reportable segments	1,561.5	1,430.2
Other unallocated amounts[1]	107.2	64.3
Consolidated total assets	**1,668.7**	**1,494.5**
Liabilities		
Total liabilities for reportable segments	97.8	126.8
Other unallocated amounts[1]	880.9	869.1
Consolidated total liabilities	**978.7**	**995.9**

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

Results for the year continued

4. INCOME TAX EXPENSE

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(a) Taxation in the consolidated statement of comprehensive income

	2017 $M	2016 $M
Current tax expense – Hong Kong profits tax		
Current year	(2.6)	(3.1)
Adjustment for prior periods	1.0	–
	(1.6)	**(3.1)**
Current tax expense – overseas		
Current year	(15.6)	(22.8)
Adjustment for prior periods	3.4	0.5
	(12.2)	**(22.3)**
Deferred tax expense		
Origination and reversal of temporary differences	–	(0.1)
	–	**(0.1)**
Total income tax expense	**(13.8)**	**(25.5)**

The provision for Hong Kong profits tax for the 2017 financial year is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates

	2017 $M	2016 $M
Profit before income tax	235.2	206.4
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(64.2)	(59.4)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(8.2)	(12.3)
– Non-assessable income	61.7	61.2
– Non-deductible expense	(10.7)	(20.4)
– Utilisation of previously unrecognised tax losses	3.2	4.9
– Adjustment for prior periods	4.4	0.5
Income tax expense	**(13.8)**	**(25.5)**

(c) Net income tax payable

	2017 $M	2016 $M
Net balance at the beginning of the year	(15.1)	(5.5)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	13.8	15.8
– Net income tax expense on current year's profit	(18.2)	(25.9)
– Adjustment for prior periods	4.4	0.5
Net balance at the end of the year	**(15.1)**	**(15.1)**
Current tax receivables	0.2	0.2
Current tax payables	(15.3)	(15.3)
	(15.1)	**(15.1)**

(d) Deferred tax assets and liabilities

Deferred tax liabilities of $0.1 million (2016: $0.1 million) arising from other payables were recognised in the consolidated statement of financial position.

5. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $29.1 million (2016: $42.1 million) which has been dealt with in the financial statements of the Company.

6. PROPERTY ASSETS

(a) Types of property assets

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

The Consolidated Entity holds both investment properties and inventories either directly or through its investments in managed partnerships.

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business. Where property developments are forecast to be completed and sold more than 12 months after the reporting date, then the inventories are classified as non-current.

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes. Work in progress is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at 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.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial statements.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, including costs of all materials used in construction, costs of managing the projects, holding costs and borrowing costs incurred during the development period.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. The amortisation is applied to reduce gross property income.

Direct expenditure associated with leasing a property is also capitalised within investment property values and amortised over the term of the lease.

Classification of investment properties

Investment properties are classified as either properties under development or stabilised properties. Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Stabilised investment properties are all investment properties not classed as being under development and would be completed properties that are leased or are available for lease to the Consolidated Entity's customers.

For an investment property under development, an external valuation is obtained at acquisition. At each subsequent reporting date until completion, the carrying value is reviewed to ensure it reflects the fair value and at completion an external valuation is obtained to determine the fair value.

For a stabilised investment property, an independent valuation is obtained at least every three years to determine the fair value. At each reporting date between obtaining independent valuations, the carrying value is reviewed to ensure it reflects the fair value.

Deposits for investment properties

Deposits and other costs associated with acquiring investment properties that are incurred prior to the Consolidated Entity obtaining legal title are recorded at cost and disclosed as other assets in the statement of financial position.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

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

	Note	Consolidated 2017 $M	Consolidated 2016 $M
Directly held property:			
Inventories			
Current		127.1	125.9
Non-current		188.3	261.2
	6(d)	**315.4**	**387.1**
Investment properties			
Stabilised investment properties	6(e)	–	25.3
Investment properties under development	6(e)	22.5	19.9
		22.5	**45.2**
Property held by managed partnerships:			
Investments accounted for using the equity method – JVs	6(f)	651.4	629.5
		651.4	**629.5**

(c) Estimates and assumptions in determining property carrying values

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.

External valuations are not performed for inventories but instead valuations are determined using the Consolidated Entity's 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 inventories are impaired.

Stabilised investment properties

Stabilised investment properties refer to investment properties which are not under development. Stabilised investment properties are carried at their fair value. Fair value 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 properties held directly on the Consolidated Entity's statement of financial position and properties within partnerships managed by the Consolidated Entity.

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. Such a determination is made based on the criteria set out below:

+ function of the asset (distribution/warehouse or suburban office);
+ location of asset (city, suburb or regional area);
+ carrying value of asset (with the asset categorised by likely appeal to private investors (including syndicates), national and institutional investors); and
+ categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

Each property asset is assessed and grouped with assets in the same or similar market segments. Information on all relevant recent sales is also analysed using the same criteria to provide a comparative set. Unless three or more sales are observed in an individual market segment (taken together with any comparable market segments as necessary), that market segment is considered inactive.

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure and/or it has been three years since the previous external, independent valuation. For all other stabilised investment properties in an active market segment, an internal valuation is performed based on observable capitalisation rates and referenced to independent market data.

Where a market segment is observed to be inactive, then no external, independent valuations are performed and internal valuations are undertaken based on discounted cash flow (DCF) calculations. The DCF calculations are prepared over a 10 year period. The key inputs considered for each individual calculation are rental growth rates, discount rates, market rental rates and letting up incentives. Discount rates are computed using the 10 year bond rate or equivalent in each jurisdiction plus increments to reflect country risk, tenant credit risk and industry risk. Where possible, the components of the discount rate are benchmarked to available market data.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

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

Market assessment

At 30 June 2017, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. Overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are set out in the table below:

	Total portfolio weighted average capitalisation rate	
Division	2017 %	2016 %
China[1]	6.3	6.5
Logistics – Continental Europe	5.4	6.0
Logistics – United Kingdom	5.3	5.2

1. In order to align with current practice, the capitalisation rate for the China portfolios has been presented net of property taxes. In prior periods, the rates were presented gross and the gross capitalisation rate for China at 30 June 2016 was 8.1%.

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, 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 to determine 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 and size of the development and is generally in a market range of 10.0% to 15.0%.

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

(d) Inventories

	Consolidated	
	2017 $M	2016 $M
Current		
Land and development properties	127.1	125.9
	127.1	**125.9**
Non-current		
Land and development properties	188.3	261.2
	188.3	**261.2**

During the current financial year, an impairment loss of $nil (2016: $14.8 million) was recognised on development land.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Consolidated	
	2017 $M	2016 $M
Carrying amount at the beginning of the year	45.2	52.7
Capital expenditure	2.4	–
Carrying value of properties disposed	(24.5)	–
Net loss from fair value adjustments	–	(9.0)
Effect of foreign currency translation	(0.6)	1.5
Carrying amount at the end of the year	**22.5**	**45.2**
Analysed as:		
Stabilised investment properties	–	25.3
Investment properties under development	22.5	19.9
	22.5	**45.2**

At 30 June 2017, all the Consolidated Entity's investment properties are located in Continental Europe.

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(e) Investment properties continued

Measurement of fair value

Subsequent to the sale of the stabilised investment property in Continental Europe in the current year, investment properties at 30 June 2017 comprise investment properties under development. The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The following table shows the valuation technique used in measuring the fair value of the stabilised investment property in the prior year, as well as the significant unobservable inputs used:

	Valuation technique	Significant unobservable inputs	Weighted average 2017	Weighted average 2016
Investment properties – Continental Europe	Income capitalisation approach	Net market rent per square metre per annum	–	€147/sqm
		Capitalisation rate	–	8.0%

The estimated fair value would increase if net market rents were higher and/or if capitalisation rates were lower. The estimated fair value would decrease if the net market rents were lower and/or if the capitalisation rates were higher.

(f) Investments accounted for using the equity method

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

		Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment/ incorporation	2017 $M	2016 $M	2017 %	2016 %	2017 $M	2016 $M
Property investment							
Goodman China Logistics Partnership ("GCLP")	Cayman Islands	40.2	41.2	20.0	20.0	447.6	414.3
KWASA Goodman Germany ("KGG")	Luxembourg	6.0	18.3	23.8	27.4	89.2	83.2
Property development							
Goodman Japan Development Partnership ("GJDP")	Japan	37.4	(0.4)	46.0	42.5	60.9	90.3
Goodman UK Partnership ("GUKP")	United Kingdom	3.1	6.2	33.3	33.3	48.2	35.0
Other JVs		–	0.9			5.5	6.7
		86.7	**66.2**			**651.4**	**629.5**

The reconciliation of the carrying value at the beginning to the carrying value at the end of the year is set out as follows:

Movements in carrying amount of investments in JVs	Consolidated 2017 $M	Consolidated 2016 $M
Carrying amount at the beginning of the year	629.5	453.4
Share of net results after tax (before revaluations)	61.7	22.4
Share of fair value adjustments	25.0	43.8
Share of net results after tax	86.7	66.2
Share of movements in reserves	(15.4)	(14.1)
Acquisitions	72.8	129.0
Capital return	(48.9)	(16.5)
Disposals	(3.4)	–
Dividends/distributions received and receivable	(46.0)	(9.6)
Effect of foreign currency translation	(23.9)	21.1
Carrying amount at the end of the year	**651.4**	**629.5**

Operating assets and liabilities continued

6. PROPERTY ASSETS CONTINUED

(f) Investments accounted for using the equity method continued

Summary financial information of JVs

The following table summarises the financial information of the material managed partnerships as included in their own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Consolidated Entity's interest in the JVs.

	GCLP[2]		KGG		GJDP		GUKP	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	150.4	161.8	29.4	27.1	24.3	48.1	4.0	6.9
Other current assets	26.6	46.3	1.6	0.2	35.7	2.2	1.7	41.2
Total current assets	177.0	208.1	31.0	27.3	60.0	50.3	5.7	48.1
Total non-current assets	**2,752.8**	**2,399.9**	**692.6**	**531.6**	**250.9**	**412.0**	**142.7**	**58.8**
Current liabilities								
Other current liabilities	1,863.9	1,780.2	15.3	9.9	0.9	1.4	4.9	3.0
Total current liabilities	**1,863.9**	**1,780.2**	**15.3**	**9.9**	**0.9**	**1.4**	**4.9**	**3.0**
Non-current liabilities								
Financial liabilities (excluding trade payables and other provisions)	394.0	306.8	310.0	231.5	178.6	244.7	–	–
Other non-current liabilities	152.7	94.7	23.4	13.5	1.7	4.0	–	–
Total non-current liabilities	**546.7**	**401.5**	**333.4**	**245.0**	**180.3**	**248.7**	**–**	**–**
Net assets (100%)	**519.2**	**426.3**	**374.9**	**304.0**	**129.7**	**212.2**	**143.5**	**103.9**
Consolidated ownership interest (%)	20.0	20.0	23.8	27.4	46.0	42.5	33.3	33.3
Consolidated share of net assets	103.8	85.3	89.2	83.2	59.7	90.3	47.8	34.6
Shareholder loan[1]	341.4	327.5	–	–	–	–	–	–
Acquisition costs	2.4	1.5	–	–	1.2	–	0.4	0.4
Carrying amount of interest in JV	447.6	414.3	89.2	83.2	60.9	90.3	48.2	35.0
Summarised statement of comprehensive income								
Revenue	109.9	96.3	38.2	28.1	104.3	1.9	5.0	1.2
Depreciation and amortisation	–	–	–	–	–	–	(0.2)	(0.3)
Interest expense	(15.6)	(14.2)	(6.4)	(5.8)	–	(0.2)	–	–
Income tax expense	(9.0)	(15.5)	(4.4)	(9.8)	(13.7)	–	–	–
Profit and total comprehensive income (100%)	201.5	205.7	27.4	61.2	90.0	(1.0)	9.4	18.8
Consolidated share of profit and total comprehensive income	40.2	41.2	6.0	18.3	37.4	(0.4)	3.1	6.2
Dividends and distributions received and receivable by the Consolidated Entity	3.4	4.3	5.2	5.3	37.4	–	–	–

1. Shareholder loans have been provided by investors of GCLP in proportion to their ownership interest. The shareholder loans are interest-free, unsecured and have no fixed terms of repayment. The shareholder loans are not expected to be repaid within 12 months from the end of the reporting period and the directors consider the loan to form part of the Consolidated Entity's investment in GCLP.
2. The comparative information for GCLP has been restated to conform to the current year's presentation. Shareholder loans have been included under other current liabilities and separately identified in the carrying amount of interest in JV.

Operating assets and liabilities continued

7. RECEIVABLES

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Loans and receivables comprise trade and other receivables, amounts due from related parties and loans to related parties.

Construction contract receivables

Construction contract receivables, which are presented in receivables in the statement of financial position, are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred, relating to the Consolidated Entity's construction contract activities based on normal operating activity.

Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except inventories, refer to note 6(d); investment properties, refer to note 6(e); and deferred tax assets, refer to note 4) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the statement of comprehensive income in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the financial asset is written down to the present value of the estimated future cash flows discounted at the original effective interest rate. The impairment is recognised in profit or loss in the reporting period in which it occurs.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows are discounted to their present value.

	Consolidated	
	2017 $M	2016 $M
Current		
Trade receivables	29.2	15.1
Other receivables	49.1	65.1
Amounts due from related parties	41.9	36.2
Loans to related parties	110.5	64.3
Construction contract receivables	284.5	122.6
	515.2	**303.3**
Non-current		
Loans to related parties	26.6	26.6
	26.6	**26.6**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the reporting date. There is no material difference between the carrying values and the fair values of receivables.

Operating assets and liabilities continued

7. RECEIVABLES CONTINUED

Trade receivables

As at 30 June 2017, trade receivables of $nil were impaired (2016: $0.4 million). There are no significant overdue trade receivables at 30 June 2017.

Other receivables

At 30 June 2017, none of the other receivables balance was overdue or impaired (2016: $nil).

Amounts due from related parties

At 30 June 2017, none of the amounts due from related parties was overdue or impaired (2016: $nil). Amounts due from related parties are typically repayable within 30 days. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and loans to JVs. Refer to note 18(c) for details of loans to related parties. During the year, a reversal of a previously recognised impairment loss of $0.2 million (2016: impairment loss of $2.0 million) was recognised on loans to related parties. The loans to related parties are unsecured.

Construction contract receivables

At 30 June 2017, the aggregate amount of costs incurred and recognised profits (less recognised losses) to date under construction contracts amounted to $286.1 million (2016: $122.6 million).

At 30 June 2017, construction contract receivables included retentions of $nil million (2016: $nil million) related to construction contracts in progress.

8. PAYABLES

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Entity has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Entity has classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and loans from related parties (refer to note 18(c)).

	Consolidated	
	2017 $M	2016 $M
Current		
Trade payables	27.4	43.2
Other payables and accruals	48.6	63.0
	76.0	**106.2**
Non-current		
Other payables and accruals	15.0	6.7
	15.0	**6.7**

9. FINANCE INCOME AND EXPENSE

Finance income

Interest is recognised on an accruals basis using the effective interest rate method, and, if not received at the reporting date, is reflected in the statement of financial position as a receivable.

Finance expense

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective interest rate basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs.

Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed using the effective interest rate method.

		Consolidated	
	Note	2017 $M	2016 $M
Finance income			
Interest income on loans to:			
– Related parties	18(c)	0.8	0.5
– Other parties		0.2	0.1
		1.0	**0.6**
Finance expense			
Interest expense on loans from related parties	18(c)	(45.4)	(43.4)
Other borrowing costs		(0.3)	(0.5)
Foreign exchange loss		(0.3)	–
Capitalised borrowing costs		12.8	17.7
		(33.2)	**(26.2)**
Net finance expense		**(32.2)**	**(25.6)**

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 1.2% and 6.6% per annum (2016: 1.7% and 5.5% per annum).

Capital management continued

10. OTHER FINANCIAL ASSETS

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the other categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as other comprehensive income and presented in the asset revaluation reserve in equity. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available for sale financial assets comprise investments in equity securities.

Impairment

Available for sale financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to its fair value.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Reversals of impairment

Impairment losses recognised in profit or loss in for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

	2017 $M	2016 $M
Available for sale equity securities		
Investment in unlisted securities, at fair value[1]	20.5	16.6
	20.5	**16.6**

1. Principally relates to the Consolidated Entity's 10% (2016: 10.0%) interest in Goodman Japan Limited. During the current financial year, a fair value gain of $5.7 million on investment in unlisted securities was recognised in other comprehensive income (2016: loss of $5.3 million). Refer to note 11(d) for assumptions made in measuring fair value of the unlisted securities.

11. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's capital management and financial risk management processes are managed as part of the wider Goodman Group. There are established policies, documented in Goodman Group's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

The Goodman Group Investment Committee is the primary forum where strategic capital and financial management requirements are discussed and decisions made in accordance with the FRM policy. The Goodman Group Investment Committee meets at least every week during the financial year.

Financial risk management

The Consolidated Entity's key financial risks are market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in Hong Kong, Japan, China, Continental Europe and the United Kingdom. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of future commercial transactions, recognised assets and liabilities and, principally, net investments in foreign operations.

Goodman Group manages foreign currency exposure on a consolidated basis. In managing foreign currency risks, Goodman Group aims to reduce the impact of short-term fluctuations on earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

Goodman Group's capital hedge policy for each overseas region is to hedge between 65% and 90% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps.

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

Exposure to currency risk

The following table details the Consolidated Entity's exposure at the end of the year to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Australian dollars, translated using the spot rate at the year end date.

		2017					2016				
	Note	HKD $M	USD $M	EUR $M	GBP $M	JPY $M	HKD $M	USD $M	EUR $M	GBP $M	JPY $M
Receivables	7	8.6	46.0	487.0	–	0.2	9.3	39.3	281.3	–	–
Cash	14(a)	16.1	37.8	4.5	41.3	8.2	9.9	53.8	2.3	1.3	–
Payables	8	(3.6)	(19.6)	(55.0)	–	–	(3.5)	(27.9)	(73.8)	–	–
Loans from related parties	18(c)	–	(483.3)	(318.7)	(31.0)	(19.3)	–	(458.2)	(348.3)	(6.7)	(29.5)
		21.1	**(419.1)**	**117.8**	**10.3**	**(10.9)**	**15.7**	**(393.0)**	**(138.5)**	**(5.4)**	**(29.5)**

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2016: 5%) stronger against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have decreased by $13.4 million (2016: $11.2 million). If the Australian dollar had been 5% (2016: 5%) weaker against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have increased by $13.4 million (2016: $11.2 million).

Interest rate risk

The Consolidated Entity's interest rate risk primarily arises from variable rate borrowings with related parties.

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings at 30 June 2017, if interest rates on borrowings had been 100 basis points per annum (2016: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders for the financial year would have been $7.5 million lower/higher (2016: $7.8 million lower/higher).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties in Goodman Group.

The contractual maturities of financial liabilities are set out below:

	Carrying amount $M	Contractual cash flows $M	Up to 12 months $M	1–2 year(s) $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2017								
Trade and other payables	91.0	91.0	76.0	15.0	–	–	–	–
Loans from related parties	852.3	871.8	798.0	2.3	2.4	2.5	2.6	64.0
Total	**943.3**	**962.8**	**874.0**	**17.3**	**2.4**	**2.5**	**2.6**	**64.0**
As at 30 June 2016								
Trade and other payables	112.9	112.9	106.2	6.7	–	–	–	–
Loans from related parties	842.7	851.4	833.4	0.7	0.8	0.8	0.9	14.8
Total	**955.6**	**964.3**	**939.6**	**7.4**	**0.8**	**0.8**	**0.9**	**14.8**

Capital management continued

11. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to note 7).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk.

In relation to material bank deposits, the Consolidated Entity minimises credit risk by dealing with major financial institutions. The counterparty must have a stable, long-term credit rating that is a minimum of an "A" category (or equivalent) from a major rating agency. The amounts and other terms associated with bank deposits are formally reviewed monthly.

From time to time, the Consolidated Entity also makes loans to JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

(d) Fair values of financial instruments

Except for investments in unlisted securities which are carried at fair value, the Consolidated Entity's financial instruments are carried at cost or amortised cost. The carrying amounts of the Consolidated Entity's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2017 and 2016.

(i) Valuation techniques and significant unobservable inputs

The fair value measurement for available for sale equity securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities – Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows expected to be generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate	+ Assets under management of \$3.3 billion in year five + Average annual development of 116,000 sqm + Five year terminal value growth rate of 1.28% + Risk adjusted discount rate of 7.26% per annum	The estimated fair value would increase/(decrease) if: + the level of development activity, assets under management and terminal value growth rate were higher/(lower) + the risk adjusted discount rate were lower/(higher)

(ii) Reconciliation of Level 3 fair values

	Consolidated 2017 $M	2016 $M
Carrying amount at the beginning of the year	16.6	18.3
Capital return	–	(0.4)
Net change in fair value – included in other comprehensive income	5.7	(5.3)
Effect of foreign currency translation	(1.8)	4.0
Carrying amount at the end of the year	**20.5**	**16.6**

12. DIVIDENDS

Provisions for dividends payable are recognised in the reporting period in which the dividends are declared. During FY17, the Company declared and paid a final dividend of 1.0 cent per share amounting to \$17.8 million (2016: \$nil). This dividend was paid from the FY16 profit after tax and there is no current intention for the Company to pay a dividend in respect of the FY17 result.

Capital management continued

13. SHARE CAPITAL

(a) Ordinary shares

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to issues of ordinary shares and options are recognised as a deduction from equity, net of any tax effects.

	2017 Number of shares	2016 Number of shares	2017 $M	2016 $M
Share capital	1,789,121,143	1,778,318,630	661.7	651.4
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			**661.1**	**650.8**

Details	Number of shares	Share capital $M
Ordinary shares, issued and fully paid		
Balance at 1 July 2015	1,753,035,922	632.5
Shares issued under Goodman Group's DRP[1]	15,416,659	11.5
Shares issued to employees of Goodman Group[2]	9,866,049	7.4
Balance at 30 June 2016	**1,778,318,630**	**651.4**
Shares issued to employees of Goodman Group[2]	10,802,513	10.3
Balance at 30 June 2017	**1,789,121,143**	**661.7**

1. Goodman Group's DRP was not active during the year. For the year ended 30 June 2016, $95.5 million of the distribution paid by Goodman Group was issued in the form of stapled securities in Goodman Group. The Consolidated Entity's share of the equity raised amounted to $11.5 million.
2. During the year, the Company issued 10,802,513 (2016: 9,866,049) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan ("LTIP") and Goodman Group Tax Exempt Plan.

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

(b) Equity settled share based payment transactions

Share based payment transactions

Goodman Group provides equity based remuneration through the issue of stapled securities under the LTIP. The fair value of rights and options over stapled securities, granted to employees of the Consolidated Entity by Goodman Group at the grant date is recognised as a share based payment expense in the results of the Consolidated Entity with a corresponding increase in equity. The share based payment expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of rights or options for which the related service and non-market vesting conditions are expected to be met. The fair values of rights and options are measured at the grant date using a combination of Monte Carlo simulations and Black Scholes pricing models.

Details of the LTIP are set out below.

LTIP

The LTIP provides for the issue of performance rights to employees. Each performance right issued under the LTIP entitles an employee to acquire a Goodman Group stapled security for nil consideration subject to the vesting conditions having been satisfied.

Under the terms of the LTIP and decisions made by the directors of Goodman Group in accordance with the plan, the issues of performance rights on 30 September 2016 to employees and directors respectively were subject to the following broad terms:

+ the exercise of 25% of the total performance rights will be conditional on Goodman Group achieving a total securityholder return (TSR) in excess of that achieved by 50% of listed entities in the S&P/ASX 100 index and the exercise of 75% of the total performance rights will be conditional on Goodman Group achieving an operating earnings per share (EPS) outcome at least at the target level notified to the market over a three year 'testing period' which ends on 30 June 2019 and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that Goodman Group achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent Goodman Group exceeds the 51st percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76th percentile under the grants made pursuant to the rules and disclosed to the market;
+ performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances); and
+ performance rights issued during the year vest in three equal tranches on 1 September 2019, 1 September 2020 and 1 September 2021.

Capital management continued

13. SHARE CAPITAL CONTINUED

(b) Equity settled share based payments transactions continued

LTIP continued

Share based payment expense included in profit or loss was as follows:

	2017 $M	2016 $M
Share based payment expense:		
– Equity settled	13.7	16.8
– Cash settled	9.0	5.4
	22.7	**22.2**

At 30 June 2017, a liability of $11.8 million (2016: $6.7 million) was recognised in relation to cash settled performance rights.

The movement in the number of equity settled and cash settled Goodman Group performance rights is as follows:

	Number of rights	
	2017	2016
Outstanding at the beginning of the year	14,719,311	11,833,471
Issued	6,615,850	5,352,396
Transferred from other Goodman entities	1,862,098	–
Vested	(2,702,106)	(2,008,074)
Forfeited	(1,528,048)	(458,482)
Outstanding at the end of the year	**18,967,105**	**14,719,311**
Exercisable at the end of the year	**–**	**–**

The model inputs for Goodman Group performance rights awarded during the current financial year included the following:

	Rights issued on 30 Sep 2016
Fair value at measurement date ($)	5.64
Security price ($)	7.28
Exercise price ($)	–
Expected volatility (%)	15.94
Rights' expected weighted average life (years)	3.9
Dividend/distribution yield per annum (%)	3.95
Average risk free rate of interest per annum (%)	1.80

The fair value of services received in return for performance rights granted under Goodman Group's LTIP is measured by reference to the fair value of the performance rights granted. The fair value of the performance rights was measured as follows:

+ relative TSR tranche: these rights have been valued using a Monte Carlo model which simulated total returns for each of the S&P/ASX 100 stocks and discounted the future value of any potential future vesting performance rights to arrive at a present value. The model uses statistical analysis to forecast total returns, based on expected parameters of variance and co-variance; and
+ operating EPS tranche: these rights have been valued as a granted call option, using the standard Black Scholes model with a continuous dividend yield.

Other items

14. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(a) Reconciliation of cash

Cash as at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	2017 $M	2016 $M
Cash assets	**107.9**	**67.3**

(b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	2017 $M	2016 $M
Profit for the year	221.4	180.9
Items classified as investing activities		
Net loss on disposal of investment properties	0.9	–
Non-cash items		
Depreciation of plant and equipment	2.4	4.0
Share based payment expense	22.7	22.2
Net loss from fair value adjustments on investment properties	–	9.0
Impairment (reversals)/losses	(0.2)	16.8
Share of net results of equity accounted investments	(86.7)	(66.2)
Net finance expense	32.2	25.6
Income tax expense	13.8	25.5
	206.5	**217.8**
Changes in assets and liabilities during the year:		
– Increase in receivables	(150.4)	(135.5)
– Decrease in inventories	46.3	240.7
– Increase in other assets	(6.0)	(16.3)
– (Decrease)/increase in payables	(16.2)	58.6
– Decrease in provisions (including employee benefits)	(2.6)	–
	77.6	**365.3**
Dividends/distributions received from equity accounted investments	46.0	9.6
Net finance costs paid	(1.4)	(0.5)
Net income taxes paid	(13.8)	(15.8)
Net cash provided by operating activities	**108.4**	**358.6**

15. RESERVES

		Consolidated		Company	
	Note	2017 $M	2016 $M	2017 $M	2016 $M
Asset revaluation reserve	15(a)	11.2	5.5	11.2	5.5
Foreign currency translation reserve	15(b)	(37.7)	(4.6)	–	–
Employee compensation reserve	15(c)	15.9	11.1	15.9	11.1
Common control reserve[1]	15(d)	(538.1)	(538.1)	–	–
Total reserves		**(548.7)**	**(526.1)**	**27.1**	**16.6**

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

Other items continued

15. RESERVES CONTINUED

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

	Consolidated		Company	
	2017 $M	2016 $M	2017 $M	2016 $M
(a) Asset revaluation reserve				
Balance at the beginning of the year	5.5	6.2	5.5	10.8
Increase/(decrease) due to revaluation of other financial assets	5.7	(5.3)	5.7	(5.3)
Transfers to retained earnings	–	4.6	–	–
Balance at the end of the year	**11.2**	**5.5**	**11.2**	**5.5**
(b) Foreign currency translation reserve				
Balance at the beginning of the year	(4.6)	10.4	–	–
Net exchange differences on conversion of foreign operations	(33.1)	(15.0)	–	–
Balance at the end of the year	**(37.7)**	**(4.6)**	**–**	**–**
(c) Employee compensation reserve				
Balance at the beginning of the year	11.1	6.7	11.1	6.7
Equity settled share based payment transactions	4.8	4.4	4.8	4.4
Balance at the end of the year	**15.9**	**11.1**	**15.9**	**11.1**
(d) Common control reserve				
Balance at the beginning of the year	(538.1)	(538.1)	–	–
Acquisition of entities from Goodman Group	–	–	–	–
Effect of foreign currency translation	–	–	–	–
Balance at the end of the year	**(538.1)**	**(538.1)**	**–**	**–**

16. RETAINED EARNINGS

		Consolidated		Company	
	Note	2017 $M	2016 $M	2017 $M	2016 $M
Balance at the beginning of the year		355.8	186.3	86.3	44.2
Profit for the year		216.0	174.1	29.1	42.1
Transfers from asset revaluation reserve		–	(4.6)	–	–
Dividend paid	12	(17.8)	–	(17.8)	–
Balance at the end of the year		**554.0**	**355.8**	**97.6**	**86.3**

17. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Consolidated Entity. The class of shares held is ordinary unless otherwise stated.

			Interest held	
Significant controlled companies	Principal activities	Country of incorporation	2017 %	2016 %
Goodman Asia Limited	Investment and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
Goodman China Asset Management Limited	Investment management	Cayman Islands	100.0	100.0
GELF Management (Lux) Sàrl	Investment management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0
Goodman UK Holdings (HK) Limited	Intermediate holding company	United Kingdom	100.0	–

Other items continued

18. RELATED PARTY TRANSACTIONS

Related parties

(i) A person, or a close member of that person's family, is related to the Company if that person:
   (1) has control or joint control over the Company;
   (2) has significant influence over the Company; or
   (3) is a member of the key management personnel of the Company or the Company's parent.

(ii) An entity is related to the Company if any of the following conditions applies:
   (1) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   (2) one entity is an associate or JV of the other entity (or an associate or JV of a member of a group of which the other entity is a member);
   (3) both entities are JVs of the same third party;
   (4) one entity is a JV of a third entity and the other entity is an associate of the third entity;
   (5) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
   (6) the entity is controlled or jointly controlled by a person identified in (i);
   (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
   (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(a) Directors' remuneration

Directors' remuneration (including alternate directors) disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2017 $M	2016 $M
Directors' fees	0.8	0.8
Salaries, allowances and benefits in kind	1.5	2.1
Discretionary bonuses	–	1.1
Share based payments	7.5	6.4
	9.8	**10.4**

On 12 July 2016, Mr Philip Pearce resigned as a director of Goodman Logistics (HK) Limited.

(b) Transactions and amounts due from related parties

	Management services and development activities		Amounts due from related parties	
	2017 $M	2016 $M	2017 $M	2016 $M
JVs				
GCLP	75.2	51.0	–	–
KGG	237.9	174.5	–	–
	313.1	**225.5**	**–**	**–**
Related parties of GL and GIT				
Goodman Hong Kong Logistics Partnership	28.6	28.9	7.0	7.4
Goodman Australia Partnership	–	3.5	–	–
Goodman European Partnership	488.8	528.7	32.2	20.3
Goodman Princeton Partnership (Lux) Sàrl	–	2.3	–	–
Other related parties	0.1	0.3	2.7	8.5
	517.5	**563.7**	**41.9**	**36.2**

During the year, the Consolidated Entity acquired an additional 3.5% equity interest in GJDP from a controlled entity of GL for consideration of $2.1 million.

Other items continued

18. RELATED PARTY TRANSACTIONS CONTINUED

(c) Financing arrangements with related parties

	Loans to related parties[1]		Loans from related parties[1]		Interest income/(expense) charged on loans to/from related parties	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
JVs	**13.0**	**9.7**	**–**	**–**	**0.2**	**–**
GL, GIT and their controlled entities	**107.2**	**64.3**	**(852.3)**	**(842.7)**	**(45.4)**	**(43.4)**
Related parties of GL and GIT						
Goodman European Partnership	16.9	16.9	–	–	0.6	0.5
Related parties of GL and GIT	**16.9**	**16.9**	**–**	**–**	**0.6**	**0.5**

1. Loans by the Consolidated Entity to/from JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2017, details in respect of the principal loan balances are set out below:
+ a shareholder loan of $16.9 million (2016: $16.9 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Partnership, and incurred interest at 6.9% per annum;
+ loans from GL, GIT and their controlled entities are interest bearing and amount to $852.3 million (2016: $842.7 million). $795.8 million of the loans is repayable on demand and $56.5 million is repayable greater than one year from the reporting date. The interest bearing loans incur floating interest at rates ranging from 1.7% to 6.8% per annum (2016: 1.6% to 6.8%); and
+ loans to GIT and its subsidiaries amounting to $107.2 million (2016: $64.3 million) are interest bearing and repayable on demand. The interest bearing loans incur interest at rates ranging from 1.0% to 1.7% per annum (2016: 1.6% to 2.4%).

19. COMMITMENTS

	2017 $M	2016 $M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	8.0	8.8
– One year or later and no later than five years	15.8	20.5
– Later than five years	–	2.7
	23.8	**32.0**

At 30 June 2017, the Consolidated Entity was also committed to $253.5 million (2016: $273.5 million) expenditure in respect of inventories and other development activities.

Non-cancellable operating lease receivable from investment property customers

	2017 $M	2016 $M
Non-cancellable operating lease commitments receivable:		
– Within one year	–	3.0
– One year or later and no later than five years	–	4.0
	–	**7.0**

20. CONTINGENCIES

Capitalisation Deed Poll

GLHK, GL, GIT and certain of their wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under finance documents for the purpose of the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

Euro medium-term note programme

Under the Euro medium-term note programme, Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, repayable on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, and GLHK and GL have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market, controlled entities of GIT had on issue US$325.0 million of notes repayable on 12 November 2020, US$499.9 million repayable on 15 April 2021 and US$499.9 million repayable on 22 March 2022. GL, Goodman Funds Management Limited, as responsible entity of GIT, and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of each of the notes.

Goodman PLUS Trust hybrid securities guarantee

Goodman PLUS Trust, a controlled entity of GIT, has 3,269,665 hybrid securities on issue at a face value of $100 each. The hybrid securities are preferred, perpetual non-call securities which are listed on the ASX. Goodman Funds Management Limited, as responsible entity of GIT, and GLHK and GL have unconditionally and irrevocably guaranteed on a joint and several basis the payment of the moneys owing under the terms of issue to the holders of Goodman PLUS.

On 12 July 2017, Goodman Group announced its intention to repurchase all of the hybrid securities immediately following the payment of the coupon due on 30 September 2017.

Other items continued

21. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 $M	2016 $M
Current assets			
Cash		53.7	1.9
Receivables		85.6	66.1
Total current assets		**139.3**	**68.0**
Non-current assets			
Investments in subsidiaries		661.1	635.7
Other financial assets		42.4	89.9
Total non-current assets		**703.5**	**725.6**
Total assets		**842.8**	**793.6**
Current liabilities			
Payables		19.8	29.9
Total current liabilities		**19.8**	**29.9**
Non-current liabilities			
Payables		37.2	10.0
Total non-current liabilities		**37.2**	**10.0**
Total liabilities		**57.0**	**39.9**
Net assets		**785.8**	**753.7**
Equity attributable to Shareholders			
Share capital		661.1	650.8
Reserves	15	27.1	16.6
Retained earnings	16	97.6	86.3
Total equity attributable to Shareholders		**785.8**	**753.7**

The company level statement of financial position was approved and authorised for issue by the board of directors on 21 August 2017.

Ian Douglas Ferrier, AM
Director

Philip Yan Hok Fan
Director

22. SUBSEQUENT EVENTS

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

SECURITIES INFORMATION

Top 20 Securityholders As at 30 August 2017	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	734,201,185	41.04
2. J P Morgan Nominees Australia Limited	528,589,250	29.54
3. Citicorp Nominees Pty Limited	134,875,043	7.54
4. National Nominees Limited	81,619,174	4.56
5. BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	49,092,064	2.74
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	39,791,826	2.22
7. BNP Paribas Noms Pty Ltd <DRP>	32,395,218	1.81
8. Beeside Pty Limited	16,923,077	0.95
9. Trison Investments Pty Ltd	13,834,398	0.77
10. AMP Life Limited	12,158,211	0.68
11. Trison Investments Pty Ltd	4,500,000	0.25
12. Bond Street Custodians Limited <ENH Property Securities A/C>	3,954,442	0.22
13. HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	3,129,296	0.17
14. RBC Investor Services Australia Nominees Pty Limited <BKMINI A/C>	2,498,845	0.14
15. BNP Paribas Noms (NZ) LTD <DRP>	2,385,711	0.13
16. National Nominees Limited <N A/C>	2,248,311	0.13
17. IOOF Investment Management Limited <IPS Super A/C>	1,931,833	0.11
18. DPCON BVBA	1,843,520	0.10
19. HSBC Custody Nominees (Australia) Limited <A/C 2>	1,564,190	0.09
20. UBS Nominees Pty Ltd	1,424,987	0.08
Securities held by top 20 Securityholders	1,668,960,581	93.28
Balance of securities held	120,160,562	6.72
Total issued securities	**1,788,851,143**	**100.00**

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1–1,000	8,140	3,946,818	0.22
1,001–5,000	11,812	28,716,636	1.61
5,000–10,000	2,821	19,990,364	1.12
10,001–100,000	1,683	34,867,466	1.95
100,001–over	104	1,701,599,859	95.11
Rounding			-0.01
Total	**24,560**	**1,789,121,143**	**100.00**

There were 657 Securityholders with less than a marketable parcel in relation to 5,585 securities as at 30 August 2017.
There were 60,979,988 Performance Rights over securities held by 630 Participants under the Long-Term Incentive Plan as at 30 August 2017.

Substantial Securityholders[1]	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Vanguard Group Inc.	144,760,798
BlackRock Group	128,740,307
State Street	89,943,847

1. In accordance with latest Substantial Securityholder Notices as at 30 August 2017.

GOODMAN LOGISTICS (HK) LIMITED CHESS DEPOSITORY INTERESTS

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

VOTING RIGHTS

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

ON-MARKET BUY-BACK

There is no current on-market buy-back.

GLOSSARY

AASB Australian Accounting Standards Board.

ABPP Arlington Business Parks Partnership, an unlisted property fund specialising in the investment of business parks in the United Kingdom.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EBIT Operating profit before net finance expense and income tax.

EPS Earnings per security.

GADP Goodman Australia Development Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Australia.

GAIP Goodman Australia Industrial Trust No 1 (ARSN 088 750 627); Goodman Australia Industrial Trust No 2 (ARSN 116 208 612); and Goodman Australia Industrial Trust No 3 (ARSN 130 854 938) stapled to form Goodman Australia Industrial Partnership.

GCLP Goodman China Logistics Partnership Limited, an unlisted property investment vehicle specialising in the investment of industrial property in China.

GEP Goodman European Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Continental Europe.

GFM Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLP Goodman Hong Kong Logistics Fund, an unlisted property investment vehicle specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCP Goodman Japan Core Partnership, an unlisted property investment vehicle specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership between Goodman and Abu Dhabi Investment Council.

GL Goodman Limited (ABN 69 000 123 071) and its controlled entities, where the context requires.

GMT Goodman Property Trust, a listed property trust on the NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership between Goodman and Canada Pension Plan Investment Board.

GTA Goodman Trust Australia

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and its controlled entities, where the context requires.

Goodman Group or GMG Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

GMP Goodman PLUS.

GTEP Goodman Tax Exempt Plan.

KGIP KWASA-Goodman Industrial Partnership, an unlisted property investment vehicle specialising in the investment of industrial property.

KGG KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence ("AFSL") authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

S&P Standard & Poor's: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security.

Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share and a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a "stapled security".

Stapled Security A GIT unit, a GL share and a GLHK share which are stapled so that they can only be traded together.

STI Short term incentive.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group's voting rights.

TSR Total securityholder return.

Unitholder A unitholder of GIT.

CORPORATE DIRECTORY

GOODMAN GROUP

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839
Responsible Entity of Goodman Industrial Trust
Goodman Funds Management Limited
ABN 48 067 796 641; AFSL Number 223621

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

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Beijing	Guangzhou	Madrid	Shanghai
Birmingham	Hamburg	Melbourne	Sydney
Brisbane	Hong Kong	Osaka	Tokyo
Brussels	Kraków	Paris	Warsaw

Directors

Mr Ian Ferrier, AM	(Independent Chairman)
Mr Gregory Goodman	(Group Chief Executive Officer)
Mr Philip Fan	(Independent Director)
Mr Stephen Johns	(Independent Director)
Mr John Harkness	(Independent Director)
Ms Anne Keating	(Independent Director)
Ms Rebecca McGrath	(Independent Director)
Mr Danny Peeters	(Executive Director)
Mr Phillip Pryke	(Independent Director)
Mr Anthony Rozic	(Executive Director)
Mr James Sloman, OAM	(Independent Director)

Company Secretary
Mr Carl Bicego

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ASX CODE

GMG

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