

Goodman Industrial Trust
ARSN 091 213 839
and its controlled entities
Interim financial report for the half year ended 31 December 2016

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Goodman Industrial Trust and its controlled entities
Directors' report
for the half year ended 31 December 2016

The directors (Directors) of Goodman Funds Management Limited (Responsible Entity), the responsible entity for Goodman Industrial Trust (GIT or Trust), present their Directors' report together with the interim financial report of GIT and the entities it controlled (Consolidated Entity) at the end of, or during, the half year ended 31 December 2016 (half year) and the review 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 CHESSE Depository Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over the ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

Directors

The Directors at any time during, or since the end of, the half 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 (Executive Director)	1 January 2013 (resigned 12 July 2016)
Mr Danny Peeters (Executive Director)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Executive Director)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Operating and financial review

The performance of the Consolidated Entity, as represented by the results of its operations for the half year, was as follows:

	Consolidated	
	2016	2015
	\$M	\$M
Net property income	42.8	58.3
Share of net results of equity accounted investments (before asset revaluations and derivative mark to market movements)	108.8	132.4
Investment earnings	151.6	190.7
Property valuations	325.0	574.8
Profit attributable to unitholders of GIT (Unitholders)	445.5	741.6
Total comprehensive income attributable to Unitholders	470.2	777.3

Property investment

Investment earnings comprise gross property income, net of property expenses, and the Consolidated Entity's share of the results of equity accounted investments (referred to as partnerships). Goodman Group's investment business has performed in line with expectations, with cornerstone investments achieving a return on assets of 6%. Investment earnings of \$151.6 million have decreased by 20% compared to the prior half year, due primarily to the asset rotation programme that has continued into the 2017 financial year (FY17).

Goodman Industrial Trust and its controlled entities
Directors' report
for the half year ended 31 December 2016

Operating and financial review (cont)

Property investment (cont)

Asset rotation for FY17 is expected to be consistent with FY16 levels but should moderate into future years as targeted sales are completed. Goodman Group's partnerships have continued to invest in the development of new, well located assets funded, at least in part, by the proceeds from asset rotation. The short term loss of rental income resulting from the asset sales will be replaced in time as the new developments are completed.

During the half year, Goodman Group has leased 1.7 million square metres of space ensuring that occupancy has been maintained at 96% with a weighted average lease expiry of 4.8 years. Like-for-like rental net property income growth across the portfolio is 2.6% and reversions on new leasing deals are 2.9%.

Urban renewal

During the half year, there have been a further \$280 million of Sydney sites conditionally contracted and over \$1 billion of settlements are expected in the second half of FY17. As this initial phase of urban renewal comes to an end, the key focus is on the planning and rezoning of future precincts. Goodman Group has maintained its potential pipeline across the Australian portfolio of 35,000 apartments.

Property valuations

Investment markets continue to be strong in the regions the Consolidated Entity operates in and this has resulted in the Consolidated Entity's share of property valuation gains being \$0.3 billion, with the weighted average capitalisation rate tightening from 6.4% to 6.0% across the half year. Urban renewal has contributed \$50 million of valuation gains during the half year compared to \$150 million in the prior half year.

Statement of financial position

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Stabilised investment properties	1,824.6	2,061.0
Cornerstone investments in partnerships	4,221.6	3,893.3
Development holdings	78.0	135.3
Loans to related parties	2,946.6	3,013.9
Cash	1,461.2	1,183.6
Other assets	337.9	365.9
Total assets	10,869.9	10,653.0
Interest bearing liabilities	2,582.5	2,584.3
Other liabilities	796.0	879.3
Total liabilities	3,378.5	3,463.6
Non-controlling interests	325.8	325.8
Net assets attributable to Unitholders	7,165.6	6,863.6

Stabilised investment properties

The value of stabilised investment properties has decreased by \$236.4 million to \$1,824.6 million, which is primarily due to asset rotation during the half year including the transfer of a small portfolio in the United Kingdom to GL. The majority of the stabilised investment properties are in Australia and include a number of sites with longer-term potential for urban renewal.

Cornerstone investments in partnerships

The value of cornerstone investments in partnerships has increased by \$328.3 million to \$4,221.6 million. The increase is driven primarily by valuation uplifts, development completions and favourable foreign currency translation movements, which have offset the selective capital rotation that has continued in a number of markets.

Loans to related parties

Loans to related parties are primarily loans to GL and 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 \$67.3 million to \$2,946.6 million.

Cash and interest bearing liabilities

Interest bearing liabilities, net of cash, are \$1,121.3 million compared to \$1,400.7 million at 30 June 2016. The decrease is primarily due to proceeds received from the disposal of investment properties, including urban renewal.

**Goodman Industrial Trust and its controlled entities
Directors' report
for the half year ended 31 December 2016**

Operating and financial review (cont)

Capital management

Goodman Group has maintained its prudent approach to capital management. At 31 December 2016, Goodman Group had available liquidity of \$2.8 billion and had a weighted average debt maturity profile of 4.1 years, with debt maturities fully covered up to June 2021. Gearing remains low at 8.7% (30 June 2016: 11.8%) and interest cover of 6.9 times (30 June 2016: 5.5 times) provides significant headroom relative to Goodman Group's financing covenants.

Distributions

Interim distribution declared to ordinary holders of GIT during the half year totalled 12.7 cents per unit (2015: 11.9 cents per unit), which amounted to \$227.2 million (2015: \$210.6 million).

Events subsequent to balance date

In the opinion of the Directors, other than disclosed elsewhere in the interim financial report, there were no events subsequent to balance date, and up to the date of signature of this interim financial report, which would require adjustment or disclosure in the interim financial report.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half year.

Rounding

The Consolidated Entity is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, amounts in this Directors' report and the consolidated financial 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, 16 February 2017



Gregory Goodman
Group Chief Executive Officer



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the
half-year ended 31 December 2016 there have been:

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

KPMG

John Teer

Partner

Sydney

16 February 2017

Goodman Industrial Trust and its controlled entities
Consolidated interim statement of financial position
as at 31 December 2016

	Consolidated		
	31 Dec 2016	30 Jun 2016	
	Note	\$M	\$M
Current assets			
Cash		1,461.2	1,183.6
Receivables	5	2,301.4	3,016.0
Inventories	4(b)	22.5	22.2
Other financial assets		10.1	-
Other assets		1.0	5.8
Total current assets		3,796.2	4,227.6
Non-current assets			
Receivables	5	652.6	10.0
Inventories	4(b)	36.7	94.6
Investment properties	4(b)	1,843.4	2,079.5
Investments accounted for using the equity method	4(b)	4,221.6	3,893.3
Other financial assets		319.4	348.0
Total non-current assets		7,073.7	6,425.4
Total assets		10,869.9	10,653.0
Current liabilities			
Deferred income		12.5	0.4
Payables		97.5	327.9
Provision for distributions		231.9	197.4
Other financial liabilities		81.1	0.1
Total current liabilities		423.0	525.8
Non-current liabilities			
Payables		175.0	60.0
Interest bearing liabilities	7	2,582.5	2,584.3
Deferred tax liabilities		27.1	19.2
Other financial liabilities		170.9	274.3
Total non-current liabilities		2,955.5	2,937.8
Total liabilities		3,378.5	3,463.6
Net assets		7,491.4	7,189.4
Equity			
Issued capital	10	7,310.5	7,249.7
Reserves	11	(45.2)	(68.1)
Accumulated losses	12	(99.7)	(318.0)
Total equity attributable to Unitholders		7,165.6	6,863.6
Non-controlling interests	13	325.8	325.8
Total equity		7,491.4	7,189.4

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

Goodman Industrial Trust and its controlled entities
Consolidated interim income statement
for the half year ended 31 December 2016

	Note	Consolidated	
		2016	2015
		\$M	\$M
Revenue and other income			
Gross property income		61.6	81.7
Income from disposal of inventories		-	1.2
Net gain from fair value adjustments on investment properties	4(d)	132.1	246.2
Net gain on disposal of investment properties	2	61.2	0.1
Share of net results of equity accounted investments	2	262.2	459.1
Net (loss)/gain on disposal of equity investments	2	(0.1)	15.8
Other income		0.3	0.1
		517.3	804.2
Property and other expenses			
Property expenses		(18.8)	(23.4)
Inventory cost of sales		-	(1.2)
Trust expenses		(14.6)	(5.5)
Impairment losses	2	-	(15.8)
Other expenses		(1.3)	(0.9)
		(34.7)	(46.8)
Profit before interest and tax		482.6	757.4
Net finance income/(expense)			
Finance income	6	92.9	152.9
Finance expense	6	(113.4)	(147.3)
Net finance (expense)/income		(20.5)	5.6
Profit before income tax		462.1	763.0
Income tax expense		(7.1)	(11.4)
Profit for the half year		455.0	751.6
Profit attributable to Unitholders			
Profit attributable to non-controlling interests		9.5	10.0
Profit for the half year		455.0	751.6

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

Goodman Industrial Trust and its controlled entities
Consolidated interim statement of comprehensive income
for the half year ended 31 December 2016

	Note	Consolidated	
		2016 \$M	2015 \$M
Profit for the half year		455.0	751.6
Other comprehensive income for the half year			
Items that are or may be reclassified to profit or loss			
Increase due to revaluation of other financial assets	11(a)	1.9	4.8
Cash flow hedges:			
- Change in value of financial instruments	11(b)	2.6	0.2
Effect of foreign currency translation	11	20.2	30.7
Other comprehensive income for the half year, net of tax		24.7	35.7
Total comprehensive income for the half year		479.7	787.3
Total comprehensive income attributable to:			
Unitholders		470.2	777.3
Non-controlling interests		9.5	10.0
Total comprehensive income for the half year		479.7	787.3

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

Goodman Industrial Trust and its controlled entities
Consolidated interim statement of changes in equity
for the half year ended 31 December 2016

Half year ended 31 December 2015

Consolidated	Attributable to Unitholders						
		Issued capital	Reserves	Accumulated losses	Total	Non- controlling interests	Total equity
	Note	\$M	\$M	\$M	\$M	\$M	\$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 half year							
Profit for the half year	12	-	-	741.6	741.6	10.0	751.6
Other comprehensive income for the half year, net of tax		-	35.7	-	35.7	-	35.7
Total comprehensive income for the half year		-	35.7	741.6	777.3	10.0	787.3
Transfers		-	(183.4)	183.4	-	-	-
Contributions by and distributions to owners							
Distributions declared on ordinary units	9(a)	-	-	(210.6)	(210.6)	-	(210.6)
Distributions paid on Goodman PLUS	9(b)	-	-	-	-	(10.0)	(10.0)
Issue of ordinary units under the Goodman Group distribution reinvestment plan (DRP)		34.9	-	-	34.9	-	34.9
Issue of ordinary units under the Goodman Group Long Term Incentive Plan (LTIP)		46.6	-	-	46.6	-	46.6
Equity settled share based payments transaction relating to Goodman Group	11(d)	-	(4.2)	-	(4.2)	-	(4.2)
Balance at 31 December 2015		7,212.9	100.1	(800.5)	6,512.5	325.8	6,838.3

Half year ended 31 December 2016

Consolidated	Attributable to Unitholders						
		Issued capital	Reserves	Accumulated losses	Total	Non- controlling interests	Total equity
	Note	\$M	\$M	\$M	\$M	\$M	\$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 half year							
Profit for the half year	12	-	-	445.5	445.5	9.5	455.0
Other comprehensive income for the half year, net of tax		-	24.7	-	24.7	-	24.7
Total comprehensive income for the half year		-	24.7	445.5	470.2	9.5	479.7
Transfers		-	-	-	-	-	-
Contributions by and distributions to owners							
Distributions declared on ordinary units	9(a)	-	-	(227.2)	(227.2)	-	(227.2)
Distributions paid/payable on Goodman PLUS	9(b)	-	-	-	-	(9.5)	(9.5)
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	11(d)	-	(1.8)	-	(1.8)	-	(1.8)
Balance at 31 December 2016		7,310.5	(45.2)	(99.7)	7,165.6	325.8	7,491.4

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

Goodman Industrial Trust and its controlled entities
Consolidated interim cash flow statement
for the half year ended 31 December 2016

	Consolidated	
	2016	2015
	\$M	\$M
Cash flows from operating activities		
Property income received	64.4	77.3
Proceeds from disposal of inventories	-	1.3
Other cash receipts from services provided	0.6	0.3
Property expenses paid	(12.3)	(21.0)
Payments for inventories	(2.0)	(46.9)
Other cash payments in the course of operations	(1.2)	(5.3)
Dividends/distributions received from equity accounted investments	176.0	99.8
Interest received	7.2	4.2
Finance costs paid	(92.9)	(126.9)
Net income taxes paid	(0.1)	(1.3)
Net cash provided by/(used in) operating activities	139.7	(18.5)
Cash flows from investing activities		
Proceeds from disposal of investment properties	429.8	2.8
Proceeds from disposal of equity investments	-	7.3
Net cash movement on disposal of controlled entities	(2.3)	(2.3)
Payments for investment properties	(24.6)	(13.3)
Payments for equity investments	(84.4)	(74.0)
Net cash provided by/(used in) investing activities	318.5	(79.5)
Cash flows from financing activities		
Proceeds from borrowings	10.3	169.9
Repayments of borrowings	(39.4)	(159.0)
Loans to related parties	50.7	340.4
Distributions paid	(202.2)	(159.1)
Net cash (used in)/provided by financing activities	(180.6)	192.2
Net increase in cash held	277.6	94.2
Cash at the beginning of the half year	1,183.6	602.4
Cash at the end of the half year	1,461.2	696.6

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

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Basis of preparation

1. Basis of preparation

Goodman Industrial Trust was established in Australia. The interim financial report for the half year comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interests 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 CHESS Depository Interests (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

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and the requirements of GIT's constitution dated 13 December 1989, as amended. The interim financial report is presented in Australian dollars and was authorised for issue by the Directors on 16 February 2017.

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report for the Consolidated Entity as at and for the year ended 30 June 2016.

There are no significant changes to the Consolidated Entity's interim statement of financial position, income statement or statement of comprehensive income as a result of the application of the new and amended standards and interpretations mandatory for annual reporting periods beginning on or after 1 July 2016. The Consolidated Entity has not applied any Australian Accounting Standards available for early adoption in the preparation of these financial statements.

(b) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are regularly 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 4 – Property assets; and
- + Note 8 – Financial instruments.

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

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Basis of preparation (cont)

1. Basis of preparation (cont)

(c) Critical accounting estimates used in the preparation of the financial statements (cont)

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 4 – Property assets; and
- + Note 8 – Financial instruments.

Results for the half year

2. Profit before income tax

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

	Consolidated	
	2016	2015
	\$M	\$M
Disposal of investment properties		
Net consideration from disposal of investment properties	410.2	1.1
Carrying value of investment properties disposed - refer to note 4(d)	(349.0)	(1.0)
Net gain on disposal of investment properties	61.2	0.1
Equity accounted investments		
Share of net results of investments in associates - refer to note 4(e)(i)		
- Operating results after tax (before revaluations)	88.4	121.1
- Fair value adjustments attributable to investment properties	154.1	289.1
- Fair value adjustments on derivative financial instruments	(40.2)	(1.4)
Share of net results of investments in JVs - refer to note 4(e)(ii)		
- Operating results after tax (before revaluations)	20.4	11.3
- Fair value adjustments attributable to investment properties	38.8	39.5
- Fair value adjustments on derivative financial instruments	0.7	(0.5)
Share of net results of equity accounted investments	262.2	459.1
Disposal of equity investments		
Net consideration from disposal of associates and JVs	(0.1)	50.3
Carrying value of associates and JVs disposed	-	(34.5)
Net (loss)/gain on disposal of equity investments	(0.1)	15.8
Impairment losses		
Impairment of receivables	-	(10.8)
Impairment of inventories	-	(5.0)
Impairment losses	-	(15.8)

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Results for the half year (cont)

3. Segment reporting

The Consolidated Entity is based in Australia and has divisions in Australia and New Zealand, Asia, Continental Europe, the United Kingdom and North America.

The activities and services undertaken by the divisions are direct and indirect ownership of investment properties. Information regarding the operations of each reportable segment is included below.

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		North America		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement												
External revenues												
Gross property income	60.3	77.8	-	-	-	-	1.3	3.9	-	-	61.6	81.7
Income from disposal of inventories	-	1.2	-	-	-	-	-	-	-	-	-	1.2
Other income	-	-	-	-	0.3	0.1	-	-	-	-	0.3	0.1
Total external revenues	60.3	79.0	-	-	0.3	0.1	1.3	3.9	-	-	61.9	83.0
Reportable segment profit before tax	177.5	136.0	14.2	38.6	8.8	18.3	2.1	3.8	17.4	12.8	220.0	209.5
Share of net results of equity accounted investments	189.4	266.1	29.0	134.0	12.2	25.1	1.2	0.5	30.4	33.4	262.2	459.1
Material non-cash items not included in reportable segment profit before tax												
Net gain/(loss) from fair value adjustments on investment properties	132.1	250.0	-	-	-	-	-	(3.8)	-	-	132.1	246.2
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Statement of financial position	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Reportable segment assets	4,176.4	4,259.7	796.2	756.8	494.1	474.4	32.8	121.1	662.8	566.4	6,162.3	6,178.4
Included in reportable segments assets are:												
Investment properties	1,843.4	2,053.1	-	-	-	-	-	26.4	-	-	1,843.4	2,079.5
Investments accounted for using the equity method	2,279.2	2,102.3	796.2	755.0	473.9	456.1	9.5	13.5	662.8	566.4	4,221.6	3,893.3
Reportable segment liabilities	209.3	91.4	-	-	-	-	-	200.5	28.5	20.6	237.8	312.5

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Results for the half year (cont)

3. Segment reporting (cont)

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

	2016	2015
	\$M	\$M
Revenues		
Total revenue for reportable segments	61.9	83.0
Consolidated revenues	61.9	83.0
Profit or loss		
Total profit before tax for reportable segments	220.0	209.5
Corporate expenses not allocated to reportable segments	(15.1)	(5.5)
Operating profit before net interest and income tax expense	204.9	204.0
Valuation adjustments not included in reportable segment profit before tax:		
- Net gain from fair value adjustments on investment properties	132.1	246.2
- Impairment losses	-	(15.8)
- Fair value adjustments relating to associates and JVs	153.4	326.7
Other non-cash items not included in reportable segment profit before tax	(7.8)	(3.7)
Net finance (expense)/income - refer to note 6	(20.5)	5.6
Consolidated profit before income tax	462.1	763.0
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Assets		
Assets for reportable segments	6,162.3	6,178.4
Unallocated amounts: loans to GL and GLHK and their controlled entities	2,946.6	3,013.9
Other unallocated amounts	1,761.0	1,460.7
Consolidated total assets	10,869.9	10,653.0
Liabilities		
Liabilities for reportable segments	237.8	312.5
Unallocated amounts: interest bearing liabilities	2,582.5	2,584.3
Other unallocated amounts	558.2	566.8
Consolidated total liabilities	3,378.5	3,463.6

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Operating assets

4. 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. Inventories are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

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 regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

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

	Consolidated		
	Note	31 Dec 2016	30 Jun 2016
		\$M	\$M
Inventories			
Current		22.5	22.2
Non-current		36.7	94.6
		59.2	116.8
Investment properties			
Stabilised investment properties		1,824.6	2,061.0
Investment properties under development		18.8	18.5
	4(d)	1,843.4	2,079.5
Investments accounted for using the equity method			
Associates	4(e)(i)	3,128.6	2,947.4
JVs	4(e)(ii)	1,093.0	945.9
		4,221.6	3,893.3
Total property assets		6,124.2	6,089.6

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Operating assets (cont)

4. Property assets (cont)

(c) Estimates and assumptions in determining property carrying values

Inventories

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

Investment properties

Stabilised investment properties

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 knowledgeably, prudently and without compulsion.

Market assessment

At 31 December 2016, all markets in which Goodman operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using discounted cash flow calculations.

The overall weighted average capitalisation rates for the divisional portfolios (including partnerships) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	31 Dec 2016	30 Jun 2016
	%	%
Australia ¹	6.3	6.7
Hong Kong	5.3	5.4
Logistics - Continental Europe	6.2	6.4
Logistics - United Kingdom	-	8.0
North America	4.5	4.5

1. Excludes urban renewal sites which are valued on a rate per residential unit site basis.

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 adjusted end value is then compared to the forecast cost of a completed development to determine whether there is an increase or decrease in value.

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

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Operating assets (cont)

4. Property assets (cont)

(d) Investment properties

Reconciliation carrying amount of directly held investment properties

	Consolidated	
	2016	2015
	\$M	\$M
Carrying amount at the beginning of the half year	2,079.5	2,126.7
Capital expenditure	7.1	18.3
Transfers in from inventories	-	1.9
Disposals:		
- Carrying value of properties sold	(349.0)	(1.0)
- On disposal of interests in controlled entities	(25.1)	(50.7)
Net gain from fair value adjustments	132.1	246.2
Effect of foreign currency translation	(1.2)	0.7
Carrying amount at the end of the half year	1,843.4	2,342.1

(e) Investments accounted for using the equity method

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

(i) Investments in associates

The Consolidated Entity's associates are set out below:

Name of associate	Country of establishment	Consolidated share of net results		Consolidated ownership interest		Consolidated investment carrying amount	
		2016	2015	31 Dec	30 Jun	31 Dec	30 Jun
		\$M	\$M	2016	2016	2016	2016
				%	%	\$M	\$M
Property investment							
Goodman Australia Industrial Partnership (GAIP)	Australia	94.0	164.2	27.5	27.5	1,247.2	1,186.6
Goodman Australia Partnership	Australia	67.2	87.7	19.9	19.9	611.4	549.8
Goodman Hong Kong Logistics Partnership	Cayman Islands	28.9	134.1	20.0	20.0	796.2	754.9
Goodman European Partnership (GEP)	Luxembourg	12.2	22.8	20.4	20.4	473.8	456.1
		202.3	408.8			3,128.6	2,947.4

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Operating assets (cont)

4. Property assets (cont)

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

(i) Investments in associates (cont)

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

	Consolidated	
	2016	2015
	\$M	\$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the half year	2,947.4	2,495.0
Share of net results after tax (before revaluations)	88.4	121.1
Share of fair value adjustments attributable to investment properties	154.1	289.1
Share of fair value adjustments on derivative financial instruments	(40.2)	(1.4)
Share of net results	202.3	408.8
Share of movement in reserves	2.0	0.1
Acquisitions	29.7	45.4
Disposals	-	(34.5)
Distributions received	(70.6)	(87.6)
Effect of foreign currency translation	17.8	43.7
Carrying amount at the end of the half year	3,128.6	2,870.9

(ii) Investments in JVs

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

Name of JV	Country of establishment	Consolidated share of net results		Consolidated ownership interest		Consolidated investment carrying amount	
		2016	2015	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
		\$M	\$M	%	%	\$M	\$M
Property investment							
KWASA Goodman Industrial Partnership	Australia	21.3	14.6	40.0	40.0	145.5	213.5
Property investment and development							
Goodman North America Partnership	USA	30.4	33.4	53.0	53.0	662.8	566.3
Other JVs		8.2	2.3			284.7	166.1
		59.9	50.3			1,093.0	945.9

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Operating assets (cont)

4. Property assets (cont)

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

(ii) Investments in JVs (cont)

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

	Consolidated	
	2016	2015
	\$M	\$M
Movement in carrying amount of investments in JVs		
Carrying amount at the beginning of the half year	945.9	671.5
Share of net results after tax (before revaluations)	20.4	11.3
Share of fair value adjustments attributable to investment properties	38.8	39.5
Share of fair value adjustments on derivative financial instruments	0.7	(0.5)
Share of net results	59.9	50.3
Acquisitions	171.3	63.1
Capital return	(2.9)	-
Distributions received	(102.0)	(12.2)
Effect of foreign currency translation	20.8	14.6
Carrying amount at the end of the half year	1,093.0	787.3

5. Receivables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Current		
Loans to related parties	2,294.0	3,003.9
Trade receivables	1.8	3.3
Other receivables	-	6.2
Amounts due from related parties	5.6	2.6
	2,301.4	3,016.0
Non-current		
Loans to related parties	652.6	10.0
	652.6	10.0

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Capital management

6. Finance income and expense

	Consolidated	
	2016	2015
	\$M	\$M
Finance income		
Interest income from:		
- Related parties	81.2	121.1
- Other parties	7.6	4.2
Fair value adjustments on derivative financial instruments	4.1	27.6
	92.9	152.9
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(58.6)	(89.5)
Other borrowing costs	(6.3)	(6.9)
Foreign exchange loss	(49.7)	(58.4)
Capitalised borrowing costs	1.2	7.5
	(113.4)	(147.3)
Net finance (expense)/income	(20.5)	5.6

7. Interest bearing liabilities

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Unsecured		
- Bank loans	187.7	176.4
- Euro medium-term notes	427.6	445.4
- US senior notes	1,835.9	1,779.2
- Foreign private placements	148.5	202.8
Borrowing costs	(17.2)	(19.5)
	2,582.5	2,584.3

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Capital management (cont)

8. Financial instruments

Fair values of financial instruments

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

	Carrying amount 31 Dec 2016 \$M	Fair value 31 Dec 2016 \$M	Carrying amount 30 Jun 2016 \$M	Fair value 30 Jun 2016 \$M
Consolidated				
Financial assets				
Cash	1,461.2	1,461.2	1,183.6	1,183.6
Receivables:				
- Loans to related parties	2,946.6	2,946.6	3,013.9	3,013.9
- Trade and other receivables	7.4	7.4	12.1	12.1
Other financial assets:				
- Interest rate swaps	39.8	39.8	57.4	57.4
- Cross currency interest rate swaps	265.7	265.7	272.4	272.4
- Foreign exchange contracts	3.7	3.7	-	-
- Investments in unlisted securities	20.3	20.3	18.2	18.2
	4,744.7	4,744.7	4,557.6	4,557.6
Financial liabilities				
Payables	272.5	272.5	387.9	387.9
Interest bearing liabilities ¹	2,582.5	2,882.8	2,584.3	2,958.8
Other financial liabilities:				
- Interest rate swaps	13.3	13.3	36.8	36.8
- Cross currency interest rate swaps	219.7	219.7	218.1	218.1
- Foreign exchange contracts	19.0	19.0	19.5	19.5
	3,107.0	3,407.3	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 31 December 2016.

Fair value hierarchy

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

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 31 December 2016				
Available for sale financial assets	-	-	20.3	20.3
Derivative financial assets	-	309.2	-	309.2
	-	309.2	20.3	329.5
Derivative financial liabilities	-	252.0	-	252.0
	-	252.0	-	252.0
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

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Capital management (cont)

9. Distributions

(a) Distributions declared and paid by GIT

	Distribution cpu	Total amount \$M	Date of payment
Interim distributions for the half year ended			
- 31 Dec 2016	12.7	227.2	24 Feb 2017
- 31 Dec 2015	11.9	210.6	22 Feb 2016

(b) Distributions declared and paid by Goodman PLUS Trust

Goodman PLUS Trust, a controlled entity of the Consolidated Entity, has hybrid securities on issue which have been accounted for as equity.

During the half year, interim distributions declared by Goodman PLUS Trust to holders of hybrid securities were \$9.5 million (2015: \$10.0 million), or 289.5 cents per unit (2015: 305.1 cents per unit).

10. Issued capital

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
1,789,121,143 (30 June 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.

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.

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Other items

11. Reserves

	Consolidated		
		31 Dec 2016	30 Jun 2016
	Note	\$M	\$M
Asset revaluation reserve	11(a)	9.1	7.4
Cash flow hedge reserve	11(b)	(3.4)	(5.9)
Foreign currency translation reserve	11(c)	(130.0)	(150.5)
Employee compensation reserve	11(d)	79.1	80.9
Total reserves		(45.2)	(68.1)

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

	2016	2015
	\$M	\$M
(a) Asset revaluation reserve		
Balance at the beginning of the half year	7.4	170.5
Increase due to revaluation of other financial assets	1.9	4.8
Transfers to accumulated losses	-	(183.4)
Effect of foreign currency translation	(0.2)	13.7
Balance at the end of the half year	9.1	5.6
(b) Cash flow hedge reserve		
Balance at the beginning of the half year	(5.9)	(5.0)
Change in value of financial instruments	2.6	0.2
Effect of foreign currency translation	(0.1)	(0.1)
Balance at the end of the half year	(3.4)	(4.9)
(c) Foreign currency translation reserve		
Balance at the beginning of the half year	(150.5)	21.8
Net exchange differences on conversion of foreign operations	20.5	17.1
Balance at the end of the half year	(130.0)	38.9
(d) Employee compensation reserve		
Balance at the beginning of the half year	80.9	64.7
Equity settled share based payments transaction relating to Goodman Group	(1.8)	(4.2)
Balance at the end of the half year	79.1	60.5
Total reserves	(45.2)	100.1

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Other items (cont)

12. Accumulated losses

	Consolidated	
	2016	2015
	\$M	\$M
Balance at the beginning of the half year	(318.0)	(1,514.9)
Profit attributable to Unitholders	445.5	741.6
Transfers from asset revaluation reserve	-	183.4
Distributions declared	(227.2)	(210.6)
Balance at the end of the half year	(99.7)	(800.5)

13. Non-controlling interests

Non-controlling interests comprise:

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$M	\$M
Goodman PLUS ¹	325.8	325.8

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

Goodman PLUS

Goodman PLUS Trust, a controlled entity of GIT, had 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 PLUS Trust pays, at its discretion, distributions at a market rate plus a margin. The hybrid securities may be exchanged or repurchased in certain circumstances.

14. Significant non-cash transactions

Distribution reinvestment plans

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

In the prior half year, the significant non-cash transactions were as follows:

- + the Consolidated Entity's DRP was in place. In relation to the distribution paid in August 2015, \$45.4 million was issued in the form of stapled securities; and
- + 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.

Goodman Industrial Trust and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2016

Other items (cont)

15. Commitments

Partnerships

At 31 December 2016, the Consolidated Entity has made an equity commitment of \$58.4 million (30 June 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 partnerships. Limits apply to these liquidity facilities and the Consolidated Entity 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, the Consolidated Entity'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.

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.

16. Related parties

Significant transactions with related parties

During the half year, the Consolidated Entity disposed of:

- + its entire interest in seven controlled entities to GL for a nominal consideration. The net assets of the controlled entities disposed comprised principally of investment properties and inventories amounting to \$83.3 million and payables amounting to \$83.3 million; and
- + a number of investment properties to partnerships for a consideration of \$262.0 million.

During the prior corresponding half year, the Consolidated Entity disposed of:

- + its entire interest in a wholly owned controlled entity, Goodman Palmers Trust, to GL for nil consideration. The net assets of the controlled entity disposed comprised an investment property with a carrying value of \$50.7 million and payables of \$50.7 million; and
- + its units in an equity investment, GMT, to a controlled entity of GL for net consideration of \$43.0 million.

17. Events subsequent to balance date

In the opinion of the Directors, other than disclosed elsewhere in the interim financial report, there were no events subsequent to balance date, and up to the date of signature of this interim financial report, which would require adjustment or disclosure in the interim financial report.

**Goodman Industrial Trust and its controlled entities
Directors' declaration**

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

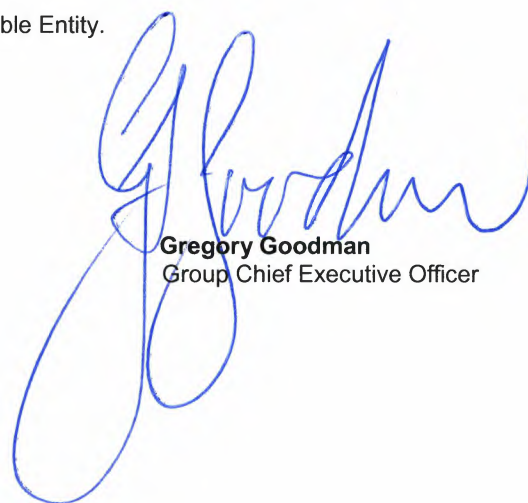
- (a) the interim financial statements and accompanying notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2016 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

Signed in accordance with a resolution of the directors of the Responsible Entity.



Ian Ferrier, AM
Independent Chairman

Sydney, 16 February 2017



Gregory Goodman
Group Chief Executive Officer

Independent Auditor's Review Report

To the unitholders of Goodman Industrial Trust

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Goodman Industrial Trust.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Goodman Industrial Trust is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Consolidated Entity's** financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Consolidated Entity** comprises Goodman Industrial Trust (the Trust) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

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

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

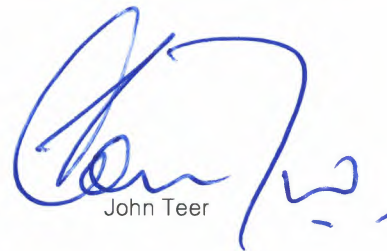
A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards*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

Independence

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



KPMG



John Teer

Partner

Sydney

16 February 2017