

Goodman Industrial Trust
ARSN 091 213 839
and its Controlled Entities
Consolidated financial report for the year ended 30 June 2017

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Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2017

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 CHESSE Depository 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 8 to 10 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 10 in this Directors' report.

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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:

Directors	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	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.

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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	2016
	\$M	\$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.

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Operating and financial review (cont)

Property investment (cont)

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	2016
	\$M	\$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.

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	2016
	M	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

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Operating and financial review (cont)

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.

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Operating and financial review (cont)

Indemnification and insurance of officers and auditors (cont)

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
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.

**Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2017**

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.

Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2017

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

Board of Directors (cont)

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.

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.

**Goodman Industrial Trust and its Controlled Entities
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Qualifications, experience and special responsibilities of Directors and Company Secretary (cont)

Board of Directors (cont)

**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 Janeiro 2016 Olympic Games. Jim is currently working as an advisor to the Qatar 2022 World Cup.

In addition, Jim is Chairman of Laing O'Rourke Australia Pty Limited and of several of its associated companies and a director of SHAPE Holdings Pty Limited and of several of its associated companies. With his range of experience, Jim 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).

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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
Mr Danny Peeters	980,000	25 Nov 2011	66.3	33.2	0.5	2015 – 2017
	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
Mr Anthony Rozic	463,576	12 Oct 2012	33.3	33.3	-	2016 – 2018
	520,000	30 Sep 2011	66.3	33.2	0.5	2015 – 2017
	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.

**Goodman Industrial Trust and its Controlled Entities
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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 13 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 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

John Teer

Partner

Sydney

21 August 2017

Goodman Industrial Trust and its Controlled Entities
Consolidated statement of financial position
as at 30 June 2017

	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.

Goodman Industrial Trust and its Controlled Entities
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			
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.

Goodman Industrial Trust and its Controlled Entities
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.

Goodman Industrial Trust and its Controlled Entities
Consolidated statement of changes in equity
for the year ended 30 June 2017

Year ended 30 June 2016

	Attributable to Unitholders						Non- controlling Total equity
	Note	Issued capital	Reserves	Accumulated losses	Total	interests	
		\$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 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

	Attributable to Unitholders						Non- controlling Total equity
	Note	Issued capital	Reserves	Accumulated losses	Total	interests	
		\$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 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.

Goodman Industrial Trust and its Controlled Entities
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).

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Basis of preparation (cont)

1 Basis of preparation (cont)

(c) Foreign currency translation (cont)

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.

Exchange rates used

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

Australian dollars (AUD) to	Weighted average		As at 30 June	
	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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Basis of preparation (cont)

1 Basis of preparation (cont)

(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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Results for the year (cont)

2 Profit before income tax (cont)

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Results for the year (cont)

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Results for the year (cont)

3 Segment reporting (cont)

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		North America		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement												
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												
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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Results for the year (cont)

3 Segment reporting (cont)

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

	2017	2016
	\$M	\$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

	2017	2016
	\$M	\$M
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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

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.

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

(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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

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

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

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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

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

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

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure and/or there has been a 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:

Division	Total portfolio weighted average capitalisation rate	
	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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

(d) Inventories

	2017	2016
	\$M	\$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	2016
	\$M	\$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

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

(e) Investment properties (cont)

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	2016
	\$M	\$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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

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

(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	
		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:

	2017 \$M	2016 \$M
Movement in carrying amount of investments in associates		
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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

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

(i) Investments in associates (cont)

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	2016	2017	2016	2017	2016	2017	2016
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Summarised statement 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 associate	1,256.6	1,186.6	628.1	549.8	748.1	754.9	526.2	456.1
Summarised statement 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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

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

(ii) Investments in JVs

A summary of the results and ownership interest of the 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	
		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

The reconciliation of the carrying value at the beginning to the carrying value at the end of the year is set out as follows:

	2017 \$M	2016 \$M
Movement in carrying amount of investments in JVs		
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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

5 Property assets (cont)

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

(ii) Investments in JVs (cont)

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	2016	2017	2016
	\$M	\$M	\$M	\$M
Summarised statement 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 statement 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).

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

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	2016
	\$M	\$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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Operating assets and liabilities (cont)

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	2016
	\$M	\$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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

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.

	2017	2016
	\$M	\$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

- 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.
- 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).

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

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.

(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 Maturity date	Book value		Face value		Coupon (fixed)
	A\$M	US\$M	A\$M	US\$M	
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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

9 Interest bearing liabilities (cont)

(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.

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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

10 Other financial assets and liabilities (cont)

Other financial liabilities

	2017	2016
	\$M	\$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

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 Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

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).

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		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
CCIRS: AUD receivable						
Expiry by currency	NZD'M	A\$M	AUD/NZD	NZD'M	A\$M	AUD/NZD
NZD payable						
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	

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

(a) Market risk (cont)

Foreign exchange risk (cont)

	2017			2016		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
FEC: GBP receivable						
Expiry by currency	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	

	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
FEC: GBP receivable						
Expiry by currency	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		-	-	

	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
FEC: USD receivable						
Expiry by currency	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	

	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
FEC: EUR receivable						
Expiry by currency	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		-	-	

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

(a) Market risk (cont)

Foreign exchange risk (cont)

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

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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Capital management (cont)

11 Financial risk management (cont)

(a) Market risk (cont)

Interest rate risk (cont)

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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

(b) Liquidity risk (cont)

The contractual maturities of financial liabilities of the Consolidated Entity are set out below:

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 2 year(s)	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

(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) 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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

(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.

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 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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

11 Financial risk management (cont)

Fair value hierarchy (cont)

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.

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 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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Capital management (cont)

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	2016
	\$M	\$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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

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	2016
	\$M	\$M
Bank balances	582.5	883.6
Call deposits	1,300.0	300.0
	1,882.5	1,183.6

(b) Reconciliation of profit for the year to net cash provided by operating activities

	2017	2016
	\$M	\$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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

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)

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

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	2016
	\$M	\$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 year¹	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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

18 Controlled entities (cont)

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	2016
	\$M	\$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 Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

19 Related party disclosures (cont)

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.

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	2016	2017	2016
	\$M	\$M	\$M	\$M
Associates	263.4	19.5	-	-
JVs	-	-	-	0.1

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

	Amounts due from related parties ¹	
	2017	2016
	\$M	\$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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

21 Auditors' remuneration

	2017	2016
	\$000	\$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)	-	-

22 Parent Entity disclosures

The individual financial statements of the Parent Entity show the following aggregate amounts:

	2017	2016
	\$M	\$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).

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
for the year ended 30 June 2017

Other items (cont)

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.

**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 (Trust):

- (a) the consolidated financial statements and the notes that are set out on pages 14 to 58, 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.

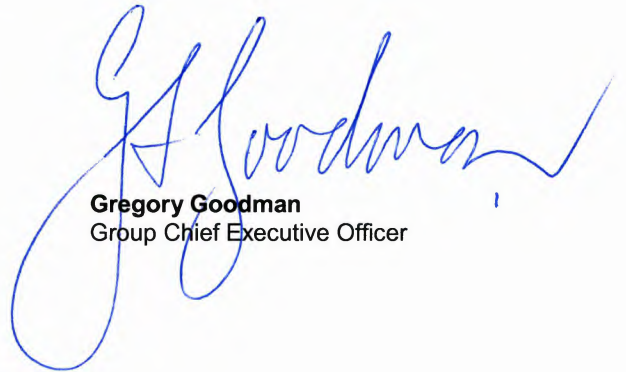
The directors of the Responsible Entity draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Ian Ferrier, AM
Independent Chairman

Sydney, 21 August 2017



Gregory Goodman
Group Chief Executive Officer



Independent Auditor's Report

To the unitholders of Goodman Industrial Trust

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.

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

John Teer

Partner

Sydney

21 August 2017