



Delivering innovation+

\$2.2bn of development completions



All about people+

1,750 customers globally

2014+

A strong financial result. Evolution as an Australian business successfully operating internationally. A global network, long-term customers and capital partners, and an entrepreneurial team. This has seen the Group deliver

A positive year



Across the world+

Over 1,000 people in 33 cities

- Adelaide
- Amsterdam
- Auckland
- Barcelona
- Beijing
- Birmingham
- Brisbane
- Brussels
- Budapest
- Chengdu
- Christchurch
- Cracow
- Düsseldorf
- Guangzhou
- Hamburg
- Hong Kong
- London
- Los Angeles
- Luxembourg
- Madrid
- Melbourne
- Osaka
- Paris
- Perth
- Poznan
- Prague
- Reading
- São Paulo
- Shanghai
- Sydney
- Tianjin
- Tokyo
- Warsaw

Prime location+

430

properties in 16 countries



Partnering for growth+

\$26.8bn

total assets under management

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Chairman's letter

Delivering innovation

2014 was another solid year for Goodman that has seen the Group continue to evolve as an Australian business successfully operating internationally. Having effectively exported its business model and expanded and strengthened its global platform, Goodman has become a recognised brand among key global customers and capital partners, consistently delivering innovative, quality products and services across all of its markets.

Our operating platform now spans 33 cities in 16 key countries around the world, 73% of Goodman staff are now located in markets outside of Australia, and offshore earnings have grown to represent 56% of FY14 operating EBIT.

Financial highlights for the year include:

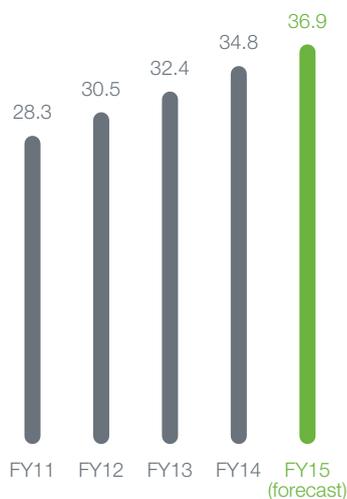
- + operating profit of \$601 million, a 10% increase on the same period last year;
- + statutory profit of \$657 million;
- + operating earnings per security (EPS) of 34.8 cents, up 7% on FY13;
- + distribution per security of 20.7 cents, up 7% on FY13;
- + strong financial position maintained, with balance sheet gearing of 19.5% and interest coverage ratio of 5.9x;
- + Group liquidity at \$1.5 billion, covering maturities to December 2018; and
- + now positioned to deliver FY15 operating EPS of 36.9 cents, up 6% on FY14.

Goodman has continued to deliver solid results with consistently strong operating earnings over the past five years. We continue to see sustainable growth in development, benefiting from ongoing structural changes occurring globally and we remain measured with our entry into new markets.

Operating EPS (¢)

Average growth

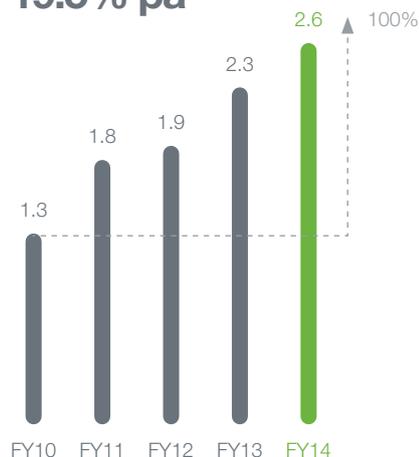
6.9% pa



Development work in progress (WIP) (\$B)

Average growth

19.5% pa



Total assets under management (AUM) (\$B)

Average growth

13.4% pa



The Group continues its prudential capital management strategy, with growth driven by leveraging entrepreneurial and operational expertise, not financial leverage. The balance sheet strength is reflected in 19.5% gearing and \$1.5 billion of liquidity covering maturities to December 2018.

The ability to innovate and be flexible is a key strategic advantage. Goodman is a contemporary business and has continued to differentiate itself, and benefit from, the quality of its product and the innovative and flexible approach it takes. Some good examples of this are as follows:

At Goodman's 130,000 sqm development at Sakai in the Osaka Bay region, the team collaborated with key customers, Nippon Express, Nissin and Keihin, to create a high specification, modern, multi-customer facility that allowed them to reduce their overall logistics costs through operational cost savings. They also worked closely with the architect and interior designers to create a unique employee friendly workspace that enabled our customers to attract and retain their employees. In addition, the facility contained several key sustainability features that made it the first facility in Japan to obtain LEED (Leadership in Energy and Environmental Design) Gold pre-certification. Goodman Sakai was developed in the Goodman Japan Development Partnership with Abu Dhabi Investment Council, 100% pre-leased five months prior to construction completion and pre-sold to the Goodman Japan Core Fund.

Structural changes that have taken place in the logistics industry combined with the Group's current approach have resulted in the e-retail sector continuing to be one of the fastest growing customer segments for Goodman. In April, Goodman completed the 43,038 sqm second phase of its built-to-suit logistics facility at Wuqing for Vipshop, China's leading online discount retailer for luxury brands and listed on the New York Stock Exchange (NYSE). Strategically located within the Beijing-Tianjin corridor and serving as a catchment area for a population in excess of 30 million in the region, Wuqing is an ideal location for retailers and e-retailers. Vipshop chose to partner with Goodman again due to our strong reputation for reliability and track record of successfully delivering quality e-retailing facilities globally.

In the UK, Goodman recently completed development of one of Europe's largest parcel hubs for French express parcel business, GeoPost, at Hinckley Commercial Park. The 30,669 sqm facility was constructed on a turnkey agreement with Goodman according to very specific, bespoke customer requirements within a set timeframe. When fully operational, the distribution unit will handle up to one million parcels per day and create 1,000 jobs. Goodman has worked very closely with both the customer and the council over the years to ensure successful delivery of a high quality, innovative, world class facility.

In Brazil, our joint venture, WTGoodman, has made considerable progress in less than two years of operation, with a number of active development opportunities underway in key logistics locations, which underpin our success in securing commitments with global and strategic customers. In line with our strategy of becoming a major player in Brazil's logistics real estate market, in July, WTGoodman announced the signing of its first built-to-suit agreement to develop a 62,000 sqm distribution centre in Minas Gerais, the third-largest state economy in Brazil, for a large multinational, Forbes 500 company.

The new project highlights WTGoodman's strategy of delivering new, modern, high quality logistics space as well as its capacity and flexible approach in fulfilling the unique needs of all of its customers. With Brazil's logistics sector currently going through a process of growth and modernisation, WTGoodman is well placed to selectively build a portfolio of high quality logistics and industrial assets in Brazil's key logistics markets.

In Australia, since the acquisition of Moorabbin Airport in 2011, Goodman has continued to innovate and add value. The site features a 294 hectare estate with 71 hectares of development land available and good access to Victoria's Principal Freight Network. It includes over 30 hectares of Goodman Australia Industrial Fund's award winning Chifley Business Park.

It was recently announced that approval has been given for Victoria's next Costco warehouse on a 5.8 hectare parcel in the east precinct. It is expected to open mid-2015, and create an additional 400 jobs in the area. Continued improvements to the estate include an 11,000 sqm extension to an existing Coca-Cola Amatil facility, which is nearing completion, and site infrastructure works, such as stormwater drainage and road extensions, to support the release of additional lots in the east precinct.

In May 2014, the Victorian Government recognised the airport in "Plan Melbourne" as a place of state significance for its transport and employment roles. This designation positions the estate to access the future government rollout of key infrastructure and initiatives in the south east.

Developing innovative, customer focused solutions helps drive the growth of Goodman's business and these initiatives are just some of the examples of the activities undertaken around the world that are designed to ensure the long-term success of the Group.

The strength and diversity of its global operating platform, prudent capital management strategy and quality of its products and services combined with an innovative and contemporary approach have allowed Goodman to build a solid, world class business that continues to perform and grow profitably.

The Group has remained focused on a strategy of delivering sustainable growth. The team remains committed to building value for our Securityholders, customers and capital partners, and I would like to thank them for their commitment and you for your ongoing support.



Ian Ferrier, AM
Independent Chairman

Group Chief Executive Officer's report

A positive year

Goodman Group has had a positive year, performing well to deliver a strong full year financial result in 2014. This was achieved through the focused execution of our business strategy and day-to-day operational activities, coupled with the consistent and reliable delivery of our high quality product and service offering. We have worked hard over the last 12 months, successfully completing a number of targeted initiatives and projects and leveraging our entrepreneurial and operational expertise around the world, to create value for Goodman's stakeholders and drive the sustainable long-term growth of our business.

Goodman's result reflects the strong underlying operating performance across our business and the significant competitive advantage we derive from our recognised brand and position as one of the largest providers of industrial property and business space globally. With total assets under management growing by 14% during the year to \$26.8 billion, the size and scale of our business, geographic diversity of our operating platform and proven capability Goodman has been able to capitalise on the continued strong demand for high quality industrial space in key logistics markets.

Our operating platform extends from Australia to New Zealand, Asia, Europe and the Americas, providing a key point of differentiation with virtually unrivalled capacity to service the diverse needs of a global customer base and secure unique investment opportunities for our capital partners. This is evident from the growth in operating earnings attributable to Goodman's international businesses, which increased to 56% and for the first time represents more than half of operating earnings. We expect the contribution from our international businesses to grow further in future periods, as we benefit from the timing differences of economic cycles and increased activity levels, while continuing to grow our operational capabilities in markets such as China, Japan, North America and Brazil.

Goodman's customer focused approach ensured that our property portfolios continue to be managed and maintained to a high standard. This was reflected in the solid property fundamentals we experienced during the year, achieving strong leasing results while maintaining our high occupancy and customer retention levels. We also capitalised on the operating environment during the year, which was driven by an undersupply of quality industrial space, significantly increasing asset prices and a surplus of available capital. This provided attractive conditions for Goodman to selectively dispose of assets, while also leveraging our active asset management capabilities. We continually assessed opportunities over the last 12 months to reposition assets and maximise their value through higher and better use opportunities, including the trend to urbanisation and property renewal.

This strategy to enhance our total return on assets saw Goodman sell properties to the value of \$1.5 billion, primarily in Australia and the United Kingdom, and recycle capital into new developments and opportunistic property investments. In this context, the increased focus on urban renewal in Australia is positive for Goodman, providing substantial opportunities to benefit from change of use planning outcomes across a number of our industrial properties in Sydney and Melbourne. We have made good progress on our urban renewal strategy, with a pipeline of over 35,000 residential lots identified and at different stages of planning. Goodman's urban renewal activities have the potential to generate significant incremental long-term value, which we consider to be an adjunct to our core business.

A key driver of growth over the last year was Goodman's development activities, which continued to perform strongly. In line with our development-led strategy, additional capital was allocated to markets, such as China and North America, with a focus on selectively undertaking the best quality opportunities. With higher development volumes, available capital and land, Goodman is in a competitively strong position to benefit from the ongoing high demand for prime quality industrial property and a number of structural changes driving our sector globally. These changes include the major growth in e-commerce and associated opportunities this is providing for logistics customers, greater supply chain efficiencies and building obsolescence. Highlighting the growth over the 12 month period, our New Zealand business experienced its highest level of development activity in the last five years, almost doubling its work in progress to \$270 million, compared with the same period last year.

Our teams in China and Japan have taken advantage of the robust operating conditions and undersupply of prime industrial space, commencing new developments in well-located logistics markets. In China, Goodman increased its development work book to 800,000 sqm across 13 projects in nine cities, which is being driven by strong domestic market consumption. In Japan, we have projects to the value of \$445 million underway in the key Tokyo and Nagoya markets that will deliver 180,000 sqm of new, modern logistics space.

Goodman maintained its leading market position in Europe, driven by activity in the key markets of Germany, France and Poland. For the third consecutive year, we retained our ranking as the number one developer¹ in Europe, with solid demand for pre-committed opportunities, primarily from logistics, e-commerce, automotive and retail customers. In the United Kingdom, we are taking advantage of the improving operating conditions, with increased customer confidence securing new opportunities across Goodman's logistics and business park operations.

The Group's platform in Brazil is building momentum following our entry into that market in the 2013 financial year and the launch of our WTGoodman joint venture with leading local developer of industrial and logistics space, WTorre. WTGoodman completed the development of phase one of International Business Park in Rio de Janeiro during the year and has subsequently commenced development of phase three, together with further projects in Rio de Janeiro, São Paulo and Betim, which will deliver a combined 480,000 sqm of new logistics space. With an increasing number of customer pre-commitments being secured, we expect the development work book in Brazil to continue to grow strongly.

A key achievement for the year was the completion of Goodman Logistics Centre Oakland in the United States and commencement of the rollout of Goodman's \$1.7 billion development pipeline, which followed the completion of our comprehensive land procurement and planning strategy undertaken since entering that market. Our focus on securing prime land sites in the key Southern California, New Jersey and Pennsylvania markets has ensured that we are in a strong position to leverage our significant development capability and take advantage of the lack of quality space available in these proven logistics locations. We commenced the rollout of our development pipeline with a 150,000 sqm logistics centre in the Inland Empire market in Southern California.

1. Based on an independent annual survey and research undertaken by PropertyEU.

The demand from global investor groups for well-performing industrial assets was reflected in the ongoing strong support Goodman received from capital partners in the 2014 financial year, raising significant new third party capital across our managed fund platform. The attractiveness of our investment offering and the investor focus on partnering with specialist industrial property groups, in particular those with proven development capabilities, remain a key advantage for Goodman. It gives us significant capacity to invest alongside our capital partners in high quality opportunities that are typically not available on the open market. Major development projects, including Goodman Sakai at Osaka Bay, Japan, Goodman Citylink in Beijing, China and Bungarribee Industrial Estate in Sydney, Australia, are indicative of the substantial long-term investment opportunities we are creating for our capital partners. The \$343 million acquisition of Sydney Corporate Park during the year, with its strategic location in the prime South Sydney industrial precinct, sustainable cash flow profile and active asset management potential, further demonstrates the scope of the quality investments being realised through our partnering approach.

Importantly, Goodman has delivered its initiatives and day-to-day operational activities in a measured and disciplined manner, underpinned by our prudent capital management strategy and reflected in the sound balance sheet metrics that we have maintained. We also maintained our low risk development approach, only undertaking projects without pre-commitments in selected markets with low vacancy levels in proven, quality logistics locations and where demand for assets is high. Developments completed during the year on this basis achieved 96% pre-commitment levels.

Goodman's strong performance in the 2014 financial year delivered full year operating earnings per security of 34.8 cents, up 7% on FY13 and operating profit of \$601 million, representing an increase of 10% compared with the same period last year and ahead of our initial 2014 financial year targets.

For the full year, Goodman paid a total distribution of 20.7 cents per security, consisting of a 10.35 cents per security distribution in each half year period.

On behalf of the Board and executive management team, I would like to acknowledge and thank all of our people for the significant contribution they have made during the year to deliver strong operating performance and provide a robust platform for the successful long-term growth of our business.

Group operations

Goodman achieved operating EBIT of \$662 million for the year, equating to a 9% increase compared with the same period last year, driven by the organic growth and increased scale from Goodman's existing markets. The continued level of demand for high quality industrial space across all of the Group's operating markets is reflected in the strong performance of its development and management businesses, which have increased to contribute 30% and 16% of operating EBIT respectively. The contribution to earnings from Goodman's property investment activities was 54%, with the composition of earnings in line with our expectations.

Goodman's international operations contributed 56% of earnings, consistent with the significant growth being achieved in these markets, while 44% of earnings were sourced from Goodman's Australian business.

Further information on the Group's operations for the 2014 financial year is available on pages 6 to 7 of this Annual Report.

Capital management

Goodman maintained its sound financial position and retained its strong balance sheet in the 2014 financial year. A number of initiatives were successfully completed, including the recycling of property assets and fund cornerstone investments, consistent execution of the Group's selective development approach, and an active distribution reinvestment plan, raising \$87 million over the full year.

As a result, our gearing was a conservative 19.5% at year end, compared with 18.5% as at 30 June 2013, with available liquidity of \$1.5 billion. This ensures we have financial flexibility, with sufficient funding to meet our debt maturities until the end of the 2018 calendar year.

We continued to focus on the delivery of our stated strategy of diversifying our debt funding sources and lengthening our debt maturity profile, finishing the year with a weighted average debt maturity of 5.4 years. Goodman demonstrated its ongoing access to global banking relationships, procuring \$5.1 billion of bank facilities with an average term of 4.0 years during the year. Separately, our managed funds secured \$0.8 billion on an average 10.5 year term through debt capital markets. Furthermore, debt ratings agency, Standard & Poor's, revised the Group's long-term corporate BBB credit rating outlook to 'positive' from 'stable', together with an upgrade to Goodman European Logistics Fund's credit rating to 'BBB', while Goodman Hong Kong Logistics Fund secured a 'BBB+' long-term corporate credit rating.

Outlook

Goodman has worked hard over the last 12 months to build on its position as one of the most diversified and largest global industrial property groups, with a brand and reputation that is recognised for the delivery of a consistent, high quality product and service offering, and the reliable execution of its day-to-day operational activities.

The disciplined execution of Goodman's business strategy, coupled with its proven capability, geographically diverse operating platform, extensive infrastructure, and significant customer and capital partner relationships, is providing the Group with a strong competitive advantage. We will continue to capitalise on the ongoing demand for prime industrial assets and the structural changes taking place in our key operating markets and take advantage of the significant capital flows and strengthening asset pricing being generated by the current operating environment.

In turn, we have positive momentum and are well positioned to leverage our entrepreneurial expertise to create value and drive the sustainable long-term growth of our business, while maintaining prudent balance sheet metrics. The strength and quality of our development and management activities and active asset management capabilities will provide Goodman with opportunities in the year ahead to selectively rotate assets, including from urban renewal initiatives, and recycle capital into new developments and opportunistic investments.

For the 2015 financial year, Goodman is forecasting full year operating earnings per security of 36.9 cents, up 6% on the 2014 financial year. Goodman is also forecasting a distribution of 22.2 cents per security, an increase of 7% per security on the 2014 financial year.



Gregory Goodman
Group Chief Executive Officer

Group operations

Property investment

Goodman finished the 2014 financial year with an investment portfolio valued at \$5.6 billion, which compares with \$5.2 billion as at 30 June 2013. The portfolio provides the Group with an ownership interest in 430 high quality industrial and business space properties in 16 countries. Specifically, the portfolio consists of the Group's \$2.2 billion of direct property investments, which is represented by 38 assets located in Australia, Europe and the United Kingdom, together with \$3.4 billion of cornerstone investments in its managed fund platform and other financial investments.

The growth in the overall investment portfolio continues to increase in line with the growth in our third party assets under management, offset by a number of asset recycling opportunities. These included the disposal of a number of property assets and a reduction in the Group's cornerstone investment in Goodman European Logistics Fund to facilitate excess investor demand as part of the Fund's equity raising undertaken during the year. Separately, the Group contributed assets to a new joint venture established in Germany with Malaysia's Employees Provident Fund.

The Group's overall investment portfolio performed well, reflected in the solid property fundamentals experienced over the 12 month period. The size, scale and quality of our geographically diverse portfolio, combined with Goodman's global customer relationships and flexible approach, ensured that we continued to meet the varied needs of our customers and take advantage of the strong demand for industrial and business space experienced during the year. This saw Goodman lease over 3 million sqm of space, equating to \$347 million of net property income. We maintained a high occupancy rate of 96%, with like-for-like rental growth of 2.2%.

Goodman's active asset management approach saw a number of properties and development assets owned by the Group and our managed funds sold in the 2014 financial year. The proceeds from these sales, combined with the partial sell down of the Group's fund cornerstone investments, have contributed a total of \$1.8 billion for recycling into new development and investment opportunities.

Property development

The strong ongoing growth in Goodman's development activities is being driven by the undersupply of prime quality industrial space and structural changes taking place within our sector. This is generating significant customer and investor demand for new development product and Goodman was well positioned throughout the year to pursue the best quality projects available across all of its key operating markets. The ability to leverage our specialist capability, extensive infrastructure and expert people around the world remains a key point of differentiation, ensuring Goodman's development volumes continued to grow and enhancing its position as one of the world's largest developers of industrial real estate. We commenced the development of \$2.5 billion of new space in the 2014 financial year across 78 projects in 11 countries, with a forecast yield on cost of 8.4%. We achieved an average

lease term of 9.8 years on these new developments and demonstrated our commitment to a low risk development approach, with 86% either pre-sold to, or pre-funded by, Goodman's managed funds or third parties. Commenced developments include:

- + a 31,892 sqm distribution centre in Brisbane for international logistics provider, DB Schenker;
- + in Auckland, New Zealand, a 16,002 sqm head office for dairy company, Fonterra;
- + a 64,988 sqm regional distribution centre for automobile manufacturer, BMW Brilliance Automotive, at Yanjiao, China;
- + in Tokyo, Japan, two multi-customer logistics and distribution facilities of 64,160 sqm and 57,905 sqm respectively;
- + a 103,664 sqm logistics centre for logistics service provider, Hammer Group, in Bedburg, Germany;
- + a 123,469 sqm fulfilment centre in Wroclaw, Poland for e-commerce provider, Amazon;
- + in Hinckley, United Kingdom, a 30,669 sqm logistics facility for French express parcel business, GeoPost;
- + a 148,699 sqm multi-customer logistics centre at Rancho Cucamonga in Southern California, United States; and
- + Itupeva, a 60,737 sqm multi-customer industrial estate in São Paulo, Brazil.

Consistent with the strong demand for prime quality industrial space globally, Goodman's development work in progress increased to \$2.6 billion compared with \$2.3 billion for the same period last year. We have active developments underway in all of our regions, reflecting the robust market conditions, with additional capital allocated to markets where we are undertaking a development-led strategy, including Japan, China, North America and Brazil. We are currently undertaking 76 projects in 11 countries, equating to 2.2 million sqm of new logistics and business space, with 91% of these projects being undertaken on behalf of our managed funds or third parties.

Over the 12 month period, Goodman delivered 1.6 million sqm of new space across 71 projects globally, with a combined value of \$2.2 billion. Developments completed during the year include:

- + a 53,305 sqm warehouse and distribution facility in Western Sydney for transport distribution company, Toll IPEC;
- + in Melbourne, a 21,117 sqm warehouse facility for fashion and apparel retailer, Just Group;
- + a 102,949 sqm warehouse and distribution centre in Tianjin, China, for leading local e-retailer, Vipshop;
- + the 130,059 sqm Goodman Sakai warehouse and distribution facility at Osaka Bay, Japan, on behalf of a number of third party logistics providers, including major customer, Nippon Express;
- + in Bremen, Germany, a 35,666 sqm logistics centre for automobile manufacturer, Daimler;
- + a 99,525 sqm fulfilment centre for e-commerce provider, Amazon, at Lauwin-Planque, France;
- + a 58,274 sqm distribution centre at Derby, United Kingdom, for global logistics provider, Kuehne + Nagel and Heineken;
- + in Oakland, United States, a 34,813 sqm logistics centre, partially leased to paint retailer, Benjamin Moore; and
- + phase one of International Business Park, a 57,242 sqm multi-customer estate in Rio de Janeiro.

Goodman ensured that it remains well positioned to effectively respond to the high customer and investor demand for its development product and facilitate the ongoing rollout of its development pipeline by replenishing its controlled land inventory during the year. This was primarily undertaken in North America, China and Japan, resulting in our development pipeline being maintained at over \$10 billion and capable of delivering a forecast gross lettable area of more than 7 million sqm.

Property services

Goodman's Property Services teams around the world are responsible for managing 18 million sqm of business space, equivalent to \$26.8 billion of total assets under management. Through their ongoing commitment and effort, we are able to consistently deliver the highest standards of service to more than 1,750 customers and ensure that our global portfolio of 430 quality industrial and business space properties were well maintained and operated efficiently throughout the year.

The success of Goodman's service offering stems from the focused management of our global customer relationships, responsiveness in meeting their day-to-day property needs, and ability to identify opportunities to add value to their changing business requirements. During the year, we used our active asset management expertise and the size and scale of our portfolio to provide our customers with a range of property solutions, which included improving or expanding existing properties, and relocating customers within our portfolio to cater for their changing space requirements. This resulted in significant leasing activity over the full year period, with over 3 million sqm of space leased.

We completed a total of 334 new leases for existing and new customers across our property portfolios around the world and also renewed a total of 496 leases on behalf of existing customers, achieving a customer retention rate of 73%. Through the hard work of our teams, we welcomed a number of new customers during the year, while extending our relationships with existing customers, including Deutsche Post (DHL), DB Schenker, Nippon Express, CEVA Logistics, Amazon, Staples, Zara, Fuji Xerox, Equinix, Steel & Tube and Daimler.

Fund management

Goodman continued to benefit from the investor demand for high quality industrial assets and further strengthened its capital partner relationships during the year, achieving significant equity inflows from existing and new investors across our managed fund platform. We successfully raised \$2.2 billion of new third party equity, reflecting the investor focus on partnering with specialist industrial property groups with proven development capability. In turn, the disciplined execution of our fund investment strategies and their commitment to creating long-term value for our global investors, delivered an average total return in excess of 12% in the 2014 financial year. Third party assets under management increased to \$22.4 billion compared with \$19.5 billion for the same period last year. This was the result of the completion of a number of fund initiatives, together with developments completed by Goodman during the year, which were predominantly pre-sold to, or pre-funded by, our managed funds. A number of initiatives to diversify debt funding sources and lengthen debt maturity profiles were also undertaken by Goodman's managed funds, providing \$4.5 billion of available debt and equity. This ensures they are well positioned, with significant momentum and investment capacity, to take advantage of a broad range of development and investment opportunities in future years.

In Europe, a new partnership called KWASA Goodman Germany (KGG) was established between Goodman and Malaysia's Employees Provident Fund (EPF) on a 70:30 basis, with EPF holding the larger share. An initial €500 million equity commitment was contributed to KGG, which was launched during the year with the acquisition of a €213 million portfolio of German properties sourced from the Group and Goodman European Logistics Fund (GELF). Separately, GELF completed a €550 million equity raising from existing and new investors, with the Group selling €110 million of its cornerstone investment in GELF to meet the high level of excess investor demand.

In Japan, Goodman and Abu Dhabi Investment Council's equity allocation to the Goodman Japan Development Partnership (GJDP) was increased to US\$800 million, while Goodman Japan Core Fund's (GJCF) US\$100 million equity raising to fund the acquisition of the Goodman Sakai development closed oversubscribed. GJCF has subsequently undertaken a further US\$300 million equity raising, to help fund the acquisition of additional completed developments from GJDP, which closed post 30 June 2014.

The term of the Goodman China Logistics Holding (GCLH) partnership between the Group and Canada Pension Plan Investment Board was extended to 2019, with GCLH also receiving an additional US\$500 million equity commitment, taking the total equity for the partnership to US\$1.5 billion.

In Hong Kong, our Goodman Hong Kong Logistics Fund successfully priced an inaugural US\$400 million Euro medium-term note issue on a 10 year term, while Goodman Property Trust (GMT) in New Zealand extended its retail bond programme, with the issue of a new NZ\$100 million senior, unsecured seven year bond. GMT also refinanced its main \$600 million finance facility, lengthening the term for a further three and a half years.

Corporate responsibility and sustainability

SUSTAINABILITY

In the 2014 financial year, Goodman extended its efforts to embed sustainability into its operations. While our current Corporate Responsibility and Sustainability (CR&S) strategy has been in place for the past four years, the focus during the year was to create consistency in key activities across our operating regions in a tangible and measured way.

The global nature of our operations means that we are able to share knowledge and resources between our property development and operations teams. Goodman has set minimum development standards to ensure that our global customer base can expect the same high standard of quality and sustainability in our developments regardless of geographic location.

Our CR&S programme continues to evolve in line with the growth of Goodman's business globally and the expectations of our stakeholders. Sustainability highlights for the 2014 financial year include:

- + incorporating a range of sustainable design initiatives into our completed developments globally;
- + energy upgrade projects completed in Australia, Hong Kong, New Zealand and the United Kingdom (UK);
- + publication of Goodman's second CR&S Report, in line with the Global Reporting Initiative;
- + company membership to the Global Real Estate Sustainability Benchmark and submissions for five separate Goodman funds globally;
- + certified green development projects in Australia, Japan, Continental Europe and the UK;
- + over 15 current developments in Germany seeking certification under the DGNB (German Sustainable Business Council) rating system; and
- + winner of the CitySwitch Award (+2,000 sqm category) in NSW for Goodman's Sydney head office which achieved a 5.5 Star NABERS Energy rating.

Our CR&S programme

Goodman's current CR&S programme is structured to improve the way we conduct our business and is focused on enhancing the quality and long-term sustainability of our developments. It is closely aligned with our primary operating activities of property investment, development, management and fund management.

Our CR&S strategy is currently comprised of six programme areas:

- + sustainable development – striving to improve the sustainability of our developments, through innovation and working with customers to incorporate and evaluate design initiatives;
- + asset management – managing and investing in our assets to improve efficiency, long-term competitiveness and resilience;
- + engagement and reporting – regularly communicating and engaging with our stakeholders;
- + corporate performance – measuring our impact and aiming to improve our overall performance;
- + people and community – inspiring and challenging our people, and supporting various community based groups through the Goodman Foundation; and
- + compliance – managing our regulatory obligations.

A focus on sustainable development

One of the main components of our CR&S programme is our focus on sustainable development. As the largest industrial property group listed on the Australian Securities Exchange and one of the largest developers of industrial property globally, we understand the importance of incorporating sustainability features during the planning and design stage of a property.

Our development specifications include a range of design initiatives and we continue to work closely with our customers to evaluate additional features which improve the efficiency and operational performance of each development. Various sustainable design initiatives are incorporated into the 76 projects Goodman currently has in progress. Efficient warehouse lighting, such as automated T5 fluorescent or LED high bay lighting, remains a priority area as lighting is usually one of the greatest consumers of energy in a standard warehouse.

During the year, Goodman completed 1.6 million sqm of new developments globally. In Australia, three developments were completed at Bungaribee Industrial Estate located near Eastern Creek in Sydney. These include the new Toll IPEC facility, featuring energy efficient LED lighting technology throughout the entire warehouse, the high bay extension to the Green Star certified (Industrial Design v1 and As Built v1) Metcash facility, and the 15,000 sqm distribution warehouse for Linfox, which includes efficient automated T5 lighting throughout the facility. Other completed developments, including logistics facilities for Bantex and Bunnings, incorporated standard design features such as T5 lighting in the warehouse, daylight sensors, wall insulation, rainwater harvesting, native plants and water efficient landscaping.

Several office developments were completed in Australia during the year, all of which included a high level of sustainable initiatives in their design. Two of the Sydney developments to achieve Green Star certification, include a 5 star Green Star Office v3 Design for the Fujitsu development at Macquarie View Corporate Park, North Ryde, and a 4 star Green Star Office v3 Design for the Canon development at The Park, Macquarie Park.

In New Zealand, 12 new projects were announced during the 2014 financial year. Completed developments during the year included the 5,480 sqm Genesis Energy building at the Central Park Corporate Centre in Auckland, which incorporated sustainable features such as LED lighting, high performance glazing and daylight harvesting sensors.

The acquisition of the Fonterra development currently in progress in Auckland was announced during the year. The 16,002 sqm state-of-the-art campus style building will feature seven levels of large flexible floor plates and incorporate a range of sustainable design initiatives, materials and building control systems.

In the United Kingdom, several developments were completed during the year, including the 10,423 sqm facility at the Aylesford Commercial Park in Kent for Kent County Council. The turnkey development included a high level of sustainable features in its design such as automated LED lighting throughout the office and warehouse, carbon neutral building envelope, a high level of insulation, use of recycled aggregate and rainwater harvesting. The development achieved a Building Research Establishment Environmental Assessment (BREEAM) very good rating. Also achieving a BREEAM very good rating was the 58,274 sqm development for Kuehne + Nagel and Heineken at Derby Commercial Park, which included efficient lighting with daylight and movement sensors, high level of insulation, and rainwater harvesting for amenities.

In Japan, the completion of Goodman Sakai at Osaka Bay created a landmark development for Goodman's operations in the Japanese market. The 130,000 sqm development represents a high quality, modern logistics facility, with a focus on user comfort and a unique workspace aimed at attracting and retaining employees. The building is the first logistics facility in Japan to achieve LEED Gold pre-certification, and includes LED lighting in the common areas, automated efficient lighting and a large scale solar photovoltaic (PV) system on the roof. Three other developments in progress; Goodman Mizue, Tokyo Bay, Goodman Ichikawa, Tokyo Bay and Goodman Obu, Nagoya also feature high sustainable design standards.

Across Continental Europe, Goodman's completed developments continue to incorporate a high level of sustainable design features. These routinely include initiatives such as energy efficient heating and lighting systems and increased natural lighting. The Ingersoll Rand turnkey facility in the Czech Republic, which completed during the year, achieved a high level of energy and water efficiency and is targeting LEED Gold certification. The development has been designed to reduce consumption of energy by up to 30% compared to similar sized facilities, and incorporates preferred parking for low-emission vehicles as well as extended public transport routes to encourage public transport. Recyclable and low-emitting construction elements and building products were used throughout the project. An overall priority for our developments in Continental Europe is obtaining certification, and currently 16 of Goodman's developments have achieved a DGNB silver rating.

The drive to increase consistency across all of our regions has been demonstrated by the level of sustainability in our developments in China. With high standards set by Goodman Interlink in Hong Kong and Goodman Beijing Airport Logistics Centre, current developments include a greater range of sustainable design initiatives. The Goodman Qingpu warehouse development is targeting LEED Silver certification and also certification under the new Chinese Green Code (Design and Operation). Efficient lighting systems, increased natural lighting and extensive metering are now common features in our developments in China, including the recently completed Goodman Pudong International Airport Logistics Park (phase two) in Shanghai.

In Goodman's newer markets, our sustainability focus is to ensure that development specifications include a level of sustainable design features similar to our more mature markets. In the US, the recently completed Goodman Logistics Center Oakland in California is targeting a LEED Silver rating and includes features such as a heat reflective roof membrane, natural lighting and onsite water retention swales.

Managing the performance of our assets

During the year, our Property Services teams globally completed various initiatives to enhance the performance of our assets.

In Australia, we completed multiple initiatives and projects to improve the operational efficiency of the portfolio. These included several high bay lighting upgrades at a number of Sydney properties such as the Coles Chilled Distribution Centre, Eastern Creek (upgrade to LED lighting), Chullora Business Park (upgrade to T5 fluorescent lighting) and Silverwater Distribution Centre (upgrade to T5 fluorescent lighting).

During the year, the Australian Property Services team has also been trialling an innovative energy monitoring and reporting system on several office buildings. The system provides our building managers with enhanced performance reporting, enabling them to make timely operating changes to improve performance. The project has resulted in significant energy savings and is being evaluated for rollout across the majority of the office portfolio.

In New Zealand, our Property Services team has either completed, or is in the process of completing, several energy improvement projects. This includes the 14,332 sqm Vodafone Building in Viaduct Harbour, Auckland where we are installing new metering, implementing new control strategies for the air distribution system and solar sensors to compensate for solar gain. At Show Place in Christchurch, Goodman is currently undertaking a major mechanical and electrical upgrade at the building, including the complete replacement of the HVAC system as well as installation of LED lighting, energy metering and a new building management system.

Corporate responsibility and sustainability Continued

In Hong Kong, further lighting improvements were completed across the portfolio, including the upgrade of existing lighting in common areas with energy efficient T5 fluorescent lighting. Other energy improvement projects featured the installation of variable speed drives for drainage pumps at several properties. Other opportunities for more energy and water efficient options are factored into all of our building refurbishment upgrades, including the upcoming bathroom upgrade works which will incorporate water efficient fixtures. In China, the Goodman Shanghai office achieved a LEED Commercial Interiors Gold rating in relation to the recently completed Activity Based Working fit-out project, while the Goodman Beijing and Goodman Chengdu offices are currently being rated for LEED Commercial Interiors.

In Continental Europe, results from our assessments through the Goodman Sustainability Benchmark process have been incorporated into asset plans. This enables upgrade works to be identified and budgeted and provides management with a technical outlook for our existing investments and the timeline to upgrade specific items relating to sustainability.

Renewable energy in Japan

Our team in Japan has undertaken a milestone renewable energy project, completing the installation of an approximately 10MW solar PV system on rooftops across the existing portfolio and our recently completed developments. The grid-connected systems will not only contribute towards the energy requirements of our customers, but also produce income from energy generated and supplied directly into the grid.

Australian greenhouse gas emissions

Greenhouse gas emissions (GHG) in Goodman's Australian operations for the 2014 financial year have been calculated as 46,534 tCO₂e. This represents an approximate 4% increase in our absolute emissions for the period, primarily due to the completion of several developments and acquisitions, including Sydney Corporate Park in NSW.

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

GOODMAN FOUNDATION

We are building communities

The Goodman Foundation has a comprehensive strategy focused on providing support and contributing to the community. This is delivered through the distribution of: cash; volunteering; workplace giving; and in-kind programmes, with long-term partnerships developed and in operation with charitable organisations in all Goodman locations. Through our strategic partnerships with more than 56 charities in 2014, the Goodman Foundation is building communities and making a meaningful difference to the lives of disadvantaged people and vulnerable communities around the world.

The Goodman Foundation is represented in Australia, New Zealand, Greater China, United Kingdom, France, Belgium and Poland, with expansion of the Foundation's activities continuing across Europe, Japan and the US.

Many of our community partners not only benefit from receiving Foundation grants, but also through fundraising and volunteer support from Goodman staff in our good+heart programme. Our good+deeds workplace giving programme allows staff to make a regular payroll donation.

The charter of the Goodman Foundation is focused on improving the quality of life and standard of living for people in the communities where Goodman operates, through the support of a range of community programmes. In 2014, we helped to establish many new initiatives through seed funding and support of emerging organisations such as The Helmsman Project, Bread and Butter Project, FoodShare (New Zealand) and Good360. We also helped to facilitate new programmes for our existing partners, including the National Centre of Indigenous Excellence's (NCIE) After School Programme, the Out and About Program in TNC Inc and the building of a new multipurpose warehouse/office commercial kitchen facility for OzHarvest.

Case study – The Helmsman Project

The Goodman Foundation is a founding supporter of The Helmsman Project (THP), a not-for-profit organisation that runs a unique adventure based coaching programme for students from schools located in disadvantaged communities.

At the core of the initiative is a 13-week personal and team coaching process that integrates two intense adventure education blocks to complement the students' learning process. Sailing is used as the adventure education activity. The students learn to develop a broader perspective of the opportunities available to them in the future and other core skills that will help them navigate through life's challenges and achieve their full potential.

During the 2014 financial year, 43 students graduated from the programme and through the ongoing support of the Foundation, THP hopes to deliver the programme to over 150 students in the coming year.

The Goodman Foundation has been a strong supporter of The Helmsman Project from the outset and this has extended beyond valuable financial assistance. Goodman employees have volunteered to join THP working groups, providing professional expertise and advice to its executive team and assisting the organisation with the establishment of an operational and risk management framework.

The selected charities that Goodman supported during the 2014 financial year with cash grants or warehouse/office facilities included:

- + Benji's Centre (Hong Kong)
- + Bestest Foundation
- + Books in Homes
- + Bread and Butter Project
- + Cerebral Palsy Alliance
- + Children's Cancer Institute of Australia
- + Christchurch Community House (New Zealand)
- + Clown Doctors
- + COM4unity
- + Duffy Books in Homes (New Zealand)
- + Fight4Victory (New Zealand)
- + FoodShare (New Zealand)
- + Good Beginnings Australia
- + Good360
- + House with No Steps
- + Humpty Dumpty Foundation
- + Mission Australia
- + MS Australia
- + National Centre of Indigenous Excellence
- + OzHarvest
- + Property Industry Foundation
- + Qing Cong Quan (China)
- + Raise Foundation
- + SOS Children's Villages (Belgium, France and Poland)
- + The Amazing Magic Club
- + The Australian Kookaburra Kids Foundation
- + The Helmsman Project
- + The Salvation Army
- + TNC Inc
- + UNICEF Australia
- + Wooden Spoon (UK)
- + Yalari

Corporate responsibility and sustainability Continued

Staff engagement programmes

The Goodman Foundation conducts two employee focused programmes called good+deeds and good+heart. These programmes allow Goodman employees to contribute in various ways to several organisations and are making a significant difference to people's quality of life.

The good+deeds programme is an employee workplace giving programme where Goodman employees can offer financial support to charities they have selected and these contributions are matched by the Goodman Foundation.

Organisations participating in good+deeds include Clown Doctors (Australia), Australian Cancer Research Foundation (ACRF) (Australia), Red Cross (Australia, New Zealand, Hong Kong and China), MS New Zealand, Children's Cancer Foundation (Hong Kong) and UNICEF (China).

good+heart is all about employee engagement and under this programme the Goodman Foundation provides our people with the opportunity to make a difference by taking action. Under good+heart, Goodman team members can fund-raise for a cause they are passionate about, volunteer their time or expertise or participate in a charity fundraising event.

Goodman provides encouragement and support to good+heart participants by funding the entry fees or costs for events; making donations to specific causes; providing time off work; and sourcing and organising opportunities for employee participation throughout the year.

Some of the good+heart initiatives undertaken over the past year include: MS Gong Ride (MS Australia); Balmoral Burn (Humpty Dumpty Foundation); City to Surf (OzHarvest and ACRF); Endure for a Cure (Children's Cancer Institute of Australia); Entoure Bike Ride (Clown Doctors); 20Twenty Challenge (Cerebral Palsy Alliance); Great Potentials (New Zealand); CBRE Property Industry Bike Ride (United Kingdom); JLL Mount Kellett Relay (Feeding Hong Kong); and Goodman Magic Mile (Benji Centre) (Hong Kong). Goodman employees also provided skilled expertise to OzHarvest, NCIE, MS Australia and The Helmsman Project.

For more information on sustainability, our diversity initiatives and the Goodman Foundation, see the Sustainability section of the Goodman website at www.goodman.com/sustainability.

DIVERSITY

The Group's diversity strategy is in response to the diversity factors which arise from the Group's operations across 16 countries in relation to employees, customers and investors. It comprises several initiatives which are being undertaken concurrently and are designed to enhance career development opportunities, reduce barriers to workplace inclusion for all employees (with specific reference to gender diversity) and enhance organisational effectiveness in regard to cultural diversity issues. The significant initiatives that occurred in 2014, or are ongoing, are outlined below:

- + The Future+Women programme was again conducted in Australia in 2014, consisting of a series of workshops and meetings that are open to all female employees. The programme is externally facilitated and developed specifically to enhance career and personal development strategies. The sessions follow a structured programme of learning designed to assist women to assess their strengths and weaknesses and devise strategies to manage these. The programme content was expanded in 2014 as a response to feedback received.
- + During the year, the Group commenced the rollout of its talent management strategy in several locations including Australia, New Zealand and Continental Europe. This involved undertaking detailed reviews of selected employees to determine their individual development needs, together with the identification of high-potential employees. The talent management strategy is a major component of the Group's diversity strategy as it will assist in providing female employees with specific development opportunities. As a result of this strategy and other positive initiatives in 2014, at least two female employees were provided with the opportunity to relocate overseas in more senior roles.
- + The appointment of a Learning and Development resource in Continental Europe has led to significant activity in the creation of learning programmes relating to technical and management skills for all employees.
- + In 2014, the Good+Future middle management development programme continued to provide managers with theoretical and practical instruction on team management, strategy development and personal presentation skills. The programme has been well represented by high potential female employees. It has been a success for Goodman in developing leadership skills, providing an opportunity for employees to gain exposure to senior management and generating new commercial strategies for the business. In 2015, the Group will consider implementing a global programme with more uniform content around management skills, strategy execution, technical knowledge and the practical application of this to the Group's business model.
- + On a specific needs basis, individual coaching opportunities have been provided for high potential females, where additional support, or out of business environment mentoring, is considered to be beneficial.
- + Several female employees participated in innovative leadership development programmes. This included the week-long Larapinta Trail programme, where participants undertook physical and mental challenges to test and develop aspects of leadership and self-reliance.

- + Group policies such as the Group's Code of Conduct were reviewed and upgraded in 2014 to reinforce the importance of diversity and inclusion in all workplaces around the world, and to ensure employees are aware that all forms of harassment and discrimination are prohibited. The Code of Conduct is one of the core compliance policies of the Group intended to build an inclusive workplace that values individual ideas and the diversity of our customer and investor base.
- + To assist employees in understanding the content of these policies, online learning modules have been launched on the Mint, which is the Group's internal online learning platform. This system has been improved and will be relaunched in 2015 and will continue to be the Group's main method of online delivery and compliance based training. The benefits of this approach are considerable and include the ability to measure usage rates, update content and present new ideas in a creative way, with the aim to increase the understanding of, and compliance with, key human resource policies. The enhancement to the Mint allows for specific training requirements to be directed to employees.
- + Actions have been taken to improve interview and selection skills of hiring managers to ensure anti-discrimination laws are observed and that unconscious bias does not occur where possible.
- + As in 2013, search firms engaged to find external candidates are required to provide shortlists containing a majority of females, or justify why this it is not possible for a particular role.
- + Human resource policies applicable in particular regions, such as Australia and New Zealand, are continually reviewed to ensure ongoing relevance with legislation. The Flexible Work Policy in Australia is an example, and in support of this, paid maternity leave entitlements in Australia have been standardised to ensure ease of understanding and application. Coaching sessions are available for women returning from maternity leave to help in the transition back to work, together with a specific programme that is open to employees on maternity leave to remain in contact with the workplace while they are on leave.

Information on the Group's support in the community and the affinity of this with diversity is outlined in the Goodman Foundation's activities on pages 10 to 12.

For more information on sustainability, our diversity initiatives and the Goodman Foundation, see the Sustainability section of the Goodman website at www.goodman.com/sustainability.

Corporate governance

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

Goodman Limited and its Controlled Entities

Consolidated financial report for the year ended 30 June 2014

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Directors' report

The directors (Directors) of Goodman Limited (Company) present their Directors' report on the consolidated entity consisting of the Company and the entities it controlled (Goodman or Consolidated Entity) at the end of, or during, the financial year ended 30 June 2014 and the audit report thereon.

Directors

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

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

Details of the Directors' qualifications and experience are set out on pages 39 to 40 in this Directors' report.

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 40 in this Directors' report.

Directors' meetings

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

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	8	8	4	4	3	3	–	–
Mr Gregory Goodman	8	8	–	–	–	–	–	–
Mr Philip Fan	8	7	4	4	–	–	4	4
Mr John Harkness	8	8	4	4	–	–	4	4
Ms Anne Keating	8	8	–	–	3	3	4	4
Ms Rebecca McGrath	8	8	–	–	3	3	4	4
Mr Philip Pearce	8	8	–	–	–	–	–	–
Mr Danny Peeters	8	8	–	–	–	–	–	–
Mr Phillip Pryke	8	7	4	4	3	3	–	–
Mr Anthony Rozic	8	7	–	–	–	–	–	–
Mr Jim Sloman	8	8	–	–	3	3	4	4

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

Principal activities

The principal activities of Goodman during the course of the financial year were investment in directly and indirectly held industrial property, fund management, property services and property development (including development management). The principal markets in which the Consolidated Entity operated during the financial year were Australia and New Zealand, Asia, Continental Europe, United Kingdom and the Americas.

Operating and financial review

Overview of statutory results

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

	Consolidated	
	2014	2013
Revenue and other income before fair value adjustments on investment properties (\$M)	1,492.2	1,112.9
Fair value adjustments on investment properties including share of the adjustments for associates and joint ventures (\$M)	186.8	32.0
Revenue and other income (\$M)	1,679.0	1,144.9
Profit attributable to Securityholders (\$M)	657.3	161.0
Total comprehensive income attributable to Securityholders (\$M)	776.0	437.9
Basic profit per security (¢)	38.2	9.6
Dividends/distributions in relation to the financial year (\$M) ¹	356.7	332.4
Weighted average number of securities on issue (M)	1,721.0	1,671.8
Total equity attributable to Securityholders (\$M)	5,904.6	5,504.2
Number of securities on issue (M)	1,727.7	1,713.2
Net tangible assets per security (\$) ²	2.88	2.69
Net assets per security (\$) ²	3.42	3.21
Gearing (%) ³	19.5	18.5

1. Amount in the prior financial year includes a fully franked dividend of \$88.7 million declared by the Company on 15 August 2013 but relating to performance in the prior financial year.
2. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.
3. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the asset component of the fair values of cross currency swaps used to hedge foreign liabilities denominated in currencies other than those to which the proceeds are applied equating to \$46.3 million – refer to note 8 of the financial statements.

Directors' report

Continued

Operational performance

Operating profit available for distribution comprises profit attributable to Securityholders adjusted for property valuations, non-property impairment losses, derivative and foreign currency mark to market movements and other non-cash adjustments or non-recurring items. While operating profit available for distribution is not an income measure under International Financial Reporting Standards, the Directors consider it is a useful means through which to examine the underlying performance of the Consolidated Entity.

Reconciliation of operating profit available for distribution to profit attributable to Securityholders

The reconciliation of operating profit available for distribution to profit attributable to Securityholders for the year is summarised in the table below:

		Consolidated	
	Note	2014 \$M	2013 \$M
Operating profit available for distribution		601.1	544.1
Adjustments for:			
Property valuation gains/(losses)			
– Net gain from fair value adjustments on investment properties	9(e)	48.6	28.0
– Deferred tax on fair value adjustments on investment properties		–	(3.3)
– Share of net gains from fair value adjustments attributable to investment properties in associates and joint ventures	5	138.2	4.0
– Impairment losses	5	(14.4)	(65.4)
Total property valuation gains/(losses)		172.4	(36.7)
Derivative mark to market and unrealised foreign exchange movements			
– Fair value movements on derivative financial instruments	5	(82.3)	(208.4)
– Share of fair value movements on derivative financial instruments in associates and joint ventures	5	(10.5)	(19.3)
– Unrealised foreign exchange movements	5	14.4	(65.3)
Total derivative mark to market and unrealised foreign exchange movements		(78.4)	(293.0)
Other non-cash adjustments or non-recurring losses			
– Share based payments expense	5	(32.0)	(26.4)
– Capital (losses)/profits not distributed		(1.3)	0.4
– Straight lining of rent		(4.5)	1.3
– Transaction related costs for strategic initiatives		–	(18.9)
– Restructuring costs	5	–	(9.8)
Total other non-cash adjustments or non-recurring losses		(37.8)	(53.4)
Profit attributable to Securityholders		657.3	161.0

Goodman's operational performance is further analysed into investment earnings, development earnings and management earnings. This is analysed below:

	Consolidated	
	2014 \$M	2013 \$M
Analysis of operating profit available for distribution		
Investment	386.2	383.1
Development	214.5	165.8
Management	117.1	108.6
Unallocated operating expenses	(55.9)	(48.5)
Operating profit before net finance expense and income tax expense	661.9	609.0
Net finance expense ¹	(26.4)	(30.0)
Income tax expense ²	(13.0)	(12.6)
	622.5	566.4
Less: Attributable to non-controlling interests	(21.4)	(22.3)
Operating profit available for distribution	601.1	544.1
Operating profit per security ³ (cents)	34.8	32.4
Interest cover ⁴ (times)	5.9	5.0

1. Net finance expense excludes derivative mark to market and unrealised foreign exchange movements.

2. Income tax expense excludes the deferred tax movements relating to investment property valuations.

3. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during the year, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.

4. Interest cover is operating profit before net finance expense and income tax (EBIT) divided by net finance expense.

Investment earnings comprise gross property income, net of property expenses, the Consolidated Entity's share of the results of equity accounted investments (before asset revaluations and derivative mark to market movements) for those investments in entities whose principal activity is property investment and distributions the Consolidated Entity receives from its investments in other financial assets. The key drivers (and also risks) for maintaining or growing Goodman's investment earnings are increasing the level of assets under management (AUM) (subject also to Goodman's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, and changes to rent levels. An increase in the level of AUM is also linked to development activity and management activity described below.

Development earnings comprise development income (including development management fees), income from sales of properties (primarily inventories but also including disposals of special purpose entities in certain jurisdictions) and the Consolidated Entity's share of the results of equity accounted investments (before asset revaluations) for those investments in entities whose principal activity is property development, net of development expenses, inventory cost of sales and employee and administrative expenses. The key drivers (and also risks) for maintaining or growing Goodman's development earnings are maintaining both the level of development activity and development margins, the continued availability of third party capital to fund development activity and, to some extent, property valuations.

Management earnings comprise fund management and property services fees, net of employee and administrative expenses. The key drivers (and also risks) for maintaining or growing management earnings are increasing the level of AUM which can be impacted by property valuations and is also dependent on the continued availability of third party capital to fund both development activity and acquisitions across Goodman's managed fund platform.

Review of the operational performance

Goodman reported an operating profit of \$601.1 million for the financial year ended 30 June 2014, representing a 10.5% increase on the prior financial year. This equates to operating EPS of 34.8 cents, which is up 7% compared with the year ended 30 June 2013.

Goodman's statutory profit attributable to Securityholders for the current financial year was \$657.3 million. This includes property valuation gains of \$172.4 million, which reflects a tightening of capitalisation rates across the majority of the markets in which Goodman operates and rental growth, notably in Asia.

The statutory profit also includes losses of \$78.4 million from the fair value movements on derivative financial instruments and unrealised foreign exchange movements on interest bearing liabilities. The fair value movements on derivative financial instruments include \$111.5 million relating to the cross currency interest rate swaps used to hedge the Consolidated Entity's investment in foreign operations. However, there is a corresponding gain of \$117.9 million in the consolidated statement of comprehensive income relating to the net translation gains associated with the net assets of these foreign operations, which is booked in reserves and not recognised in statutory profit attributable to Securityholders.

This situation arises because Goodman's policy is to hedge between 70% and 95% of the net assets of these foreign operations. Where the Consolidated Entity invests in foreign assets, it will borrow in that currency or enter into derivative financial instruments to create a similar liability. In so doing, the Consolidated Entity minimises its net asset and income exposure to those currencies. The unrealised mark to market movement of the derivative financial instruments (up or down) flows through the consolidated income statement; however, the foreign currency translation of the net investment that is being hedged flows through reserves. The fact that the two amounts broadly offset indicates that the Consolidated Entity's hedging strategy is effective.

The total dividends and distributions in respect of the current financial year are 20.7 cents per stapled security. This excludes a fully franked dividend of 5.2 cents per share declared by Goodman Limited in August 2013 but relating to performance in the prior financial year. Goodman Industrial Trust declared and paid an interim distribution of 10.35 cents per security in respect of the six months ended 31 December 2013, and declared a final distribution of 10.35 cents per security in respect of the six months ended 30 June 2014. Total dividends and distributions per security are up 7% or 1.3 cents per stapled security compared to the prior financial year.

The increase in Goodman's operating EBIT reflects the continued strong demand from both customers and investors for prime industrial and business space, consistent and reliable execution of the day-to-day operational activities, quality product and service offering, and extensive customer and capital partner relationships.

The results for the financial year highlight:

- + continued growth in Goodman's key markets;
- + strong development performance, particularly in the Asia Pacific region where development volumes continue to grow;
- + commencement of the US\$1.7 billion development workbook in North America;
- + expansion of the management platform, predominantly from organic growth, with AUM increasing to A\$26.8 billion at 30 June 2014;
- + significant capital flows and strengthening asset pricing globally, which have provided attractive conditions to selectively rotate assets, including urban renewal opportunities in Australia, and recycle capital into new developments and opportunistic stabilised property investments; and
- + a continued strong balance sheet position. In the current financial year, \$2.2 billion of new third party equity was raised to help fund long-term growth. As a result, Goodman's gearing has been maintained at 19.5%, with available liquidity of \$1.5 billion.

Directors' report

Continued

The Consolidated Entity achieved operating EBIT of \$661.9 million, a 9% increase compared with the prior financial year, which reflects the organic growth and increased scale from Goodman's existing markets. The development and management businesses continued to perform strongly, consistent with the high customer demand for prime industrial space across all of Goodman's operating markets, contributing a combined 46% (2013: 42%) of operating EBIT before unallocated operating expenses. The earnings composition was in line with the Consolidated Entity's expectations, with 54% (2013: 58%) contributed from investments, 30% (2013: 25%) from developments and 16% (2013: 17%) from management services.

Investments

Investments contributed \$386.2 million of operating EBIT, a 1% increase compared with the prior financial year.

Underlying property fundamentals were robust during the financial year, with overall occupancy at 30 June 2014 at 96%. The weighted average lease expiry across the investment portfolio was 4.9 years. Leasing activity undertaken across Goodman's portfolio during the financial year has resulted in 3.0 million square metres of industrial and business space being leased, achieving like-for-like net property income growth of 2.2%.

Investment earnings reflect the selective rotation of property assets and co-investment initiatives undertaken during the year, ensuring Goodman is capitalising on the market demand for industrial property and recycling capital into new growth opportunities.

Development

Developments contributed \$214.5 million of operating EBIT, a 29% increase compared with the prior financial year. At 30 June 2014, Goodman's work in progress was \$2.6 billion, generating a yield on cost of 8.3%, and equating to 2.2 million square metres of new space.

During the financial year, the Consolidated Entity secured \$2.5 billion of new development commencements across 78 projects in 11 countries, consolidating its position as one of the largest industrial real estate developers globally. An overall leasing pre-commitment of 57% was achieved on new projects, with an average lease term of 9.8 years.

Development demand remains strong, particularly in Asia, where Goodman is selectively pursuing high quality development opportunities to take advantage of the robust market conditions and undersupply of well located, prime logistics space. In Europe, Australia and New Zealand, volumes remain stable, with customer demand continuing to drive predominantly pre-committed development activity. The Americas now contribute 9% to the Consolidated Entity's current development book, which will increase as further Brazilian projects commence in the next six months and with the rollout of the North America development pipeline.

Importantly, the Consolidated Entity's low risk approach was reflected in the 96% of completed Goodman's developments that are either pre-sold to, or pre-funded by, Goodman's managed funds or third parties. The ability to finance and attract capital for development activities is a key point of differentiation for customers.

Management

Management activities contributed \$117.1 million of operating EBIT or an 8% increase compared with the prior financial year driven by the growth in AUM. Goodman's AUM were \$26.8 billion at 30 June 2014, a 14% increase over the financial year.

Goodman has completed a number of initiatives across its managed fund platform during the financial year, raising \$2.2 billion of new third party equity, building on the significant third party equity commitments that already exist in its funds. These initiatives include:

- + Goodman European Logistics Fund (GELF) completed a €550 million equity raising, with Goodman selling an additional €110 million of its cornerstone investment to meet excess investor demand;
- + Goodman and Canada Pension Plan Investment Board committed an additional US\$500 million of equity to Goodman China Logistics Holding Limited (GCLH), increasing the total equity for GCLH to US\$1.5 billion. In addition, the joint venture was extended by five years to 2019;
- + in Germany, a new partnership, KWASA Goodman Germany (KGG) was established with Malaysia's Employees Provident Fund (EPF) on a 70:30 basis, with EPF holding the larger share, and an initial equity commitment of €500 million. KGG was launched with the acquisition of a €213 million portfolio of German assets sourced from Goodman and GELF;
- + Goodman Japan Core Fund (GJCF TMKs) completed a ¥9.0 billion capital raising to fund the acquisition of Goodman Sakai; and
- + Goodman and Abu Dhabi Investment Council increased their GJDP equity allocation by US\$300 million to US\$800 million.

Since the end of the financial year, GJCF TMKs has completed a further ¥23.0 billion capital raising to fund the acquisition of future opportunities currently under development in the Goodman Japan Development Partnership (GJDP) and CPPIB and Goodman have committed a further US\$1.1 billion of equity for Goodman North America Partnership (GNAP), increasing the total equity for GNAP to US\$2.0 billion.

The range of fund initiatives completed by Goodman reflects the continued demand by global investor groups for core, stable, and high yielding assets, together with their focus on partnering with specialist industrial property providers. A key driver of Goodman's success is its ability to attract third party capital into its managed fund platform, combined with the alignment of investors' interests through the contemporary fund management structures which underpin its partnering approach.

Capital management

Goodman has maintained a sound financial position with gearing at 19.5% (2013:18.5%), well within the Consolidated Entity's target. Interest cover remains high at 5.9 times.

At 30 June 2014, available liquidity was \$1.5 billion and the Consolidated Entity had a weighted average debt maturity profile of 5.4 years, with debt maturities fully covered to December 2018. During the year, Standard & Poor's revised the Consolidated Entity's 'BBB' corporate credit rating outlook to 'positive' from 'stable'.

Goodman has continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets. During the current financial year, Goodman Hong Kong Logistics Fund (GHKLF) secured a 'BBB+' long-term corporate credit rating from Standard & Poor's, with 'stable' outlook and Goodman procured \$0.8 billion from debt capital markets with an average term of 10.5 years across the managed funds.

Furthermore, the Consolidated Entity's distribution reinvestment plan was active during the financial year, raising a total of \$42.2 million from the 31 December 2013 distribution.

Strategy and outlook

Goodman's business strategy is to be the leading international provider of industrial property and business space to leading global customers in each of the markets in which the Consolidated Entity operates. Goodman's integrated "own+develop+manage" customer service model is a driving principle in the Consolidated Entity's operations. The Directors believe that this business model is both relevant for the current operating environment and sustainable into the future.

The Consolidated Entity's "own+develop+manage" customer service model is intended to allow the Consolidated Entity to build an in-depth understanding of customer needs and to assist the Consolidated Entity in providing access to quality information on portfolio performance and market dynamics. The Consolidated Entity believes its ability to establish a better understanding of its customers' needs allows for better customer management opportunities and enables the Consolidated Entity to provide a more tailored property management service. Goodman strives to meet the requirements of its customers "in-house" through the repositioning of existing assets or via the development of new pre-leased sites, while the "in-house" property management team works efficiently to satisfy customer needs.

The Consolidated Entity seeks to create value through expansion, both organically and through strategic acquisitions, while enhancing returns through the active management of its property portfolio.

The cornerstone of this strategy is a substantial portfolio (including both directly-owned property and cornerstone investments in Goodman managed funds) of quality industrial and business space assets, coupled with the Consolidated Entity's integrated property platform. Goodman looks to enhance its return on property investments with property and fund management income and development profits.

Development is an important component of the Consolidated Entity's business strategy because it drives portfolio growth, with the expansion of existing customers and the procurement of new customers, and provides a source of investment products for the Goodman managed funds. The Consolidated Entity's current strategy is to ensure that the majority of developments are conducted within or for Goodman managed funds.

The Consolidated Entity believes that its ability to utilise capital in this way, coupled with the Consolidated Entity's ability to employ third party capital invested in Goodman managed funds, enables it to grow development and investment activity and earnings outside of the Consolidated Entity's traditional Australian markets. Through cornerstone investments in Goodman managed funds, the Consolidated Entity intends to align its interests with those of the funds' investors and believes that it is able to foster long-term relationships with the funds' investors. By attracting a group of other key global investors, the Consolidated Entity aims to secure sources of funding for Goodman managed funds, allowing for the expansion of the Consolidated Entity's business without needing to fund such expansion entirely with the Consolidated Entity's balance sheet. This strategy also fosters a more diversified range of investments and market opportunities to maximise return and balance risk for the long term.

The growing contribution from Goodman's development and management activities, the strength of its Asian and European businesses and the growth of the Americas businesses will ensure the Consolidated Entity is well positioned to achieve solid earnings growth in the year ending 30 June 2015. Accordingly, Goodman is forecasting a full year operating EPS of 36.9 cents, up 6% on the current financial year.

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

Dividends and distributions

On 15 August 2013, the Company declared a fully franked dividend of 5.2 cents per share amounting to \$88.7 million relating to performance in the prior financial year, which was paid on 26 August 2013.

Distributions declared/announced by a controlled entity, Goodman Industrial Trust, directly to Securityholders during the financial year totalled 20.7 cents per security (cps), amounting to \$356.7 million (2013: \$243.7 million).

Goodman Logistics (HK) Limited, a controlled entity of the Company, did not declare any dividends during the financial year (2013: \$nil).

Directors' report Continued

The Consolidated Entity's dividends and distributions to Securityholders in respect of the current financial year are summarised below:

	Distribution cpu	Total amount \$M	Date of payment
Dividends and distributions relating to the current financial year			
Interim:			
– Declared and paid by GIT	10.35	177.9	21 Feb 2014
Final:			
– Declared and provided by GIT	10.35	178.8	26 Aug 2014
	20.70	356.7	
Dividends and distributions relating to the prior financial year			
Interim:			
– Declared and paid by GIT	9.70	166.2	28 Feb 2013
Final:			
– Declared and paid in August 2013 by the Company	5.20	88.7	26 Aug 2013
– Declared and paid by GIT	4.50	77.5	26 Aug 2013
	19.40	332.4	

Distributions declared during the current financial year by Goodman PLUS Trust, a controlled entity of the Company, to holders of hybrid securities (non-controlling interests) were \$21.4 million (2013: \$22.3 million).

Directors' interests

The relevant interest of each Director in the issued capital of Goodman as notified by the Directors to the Australian Securities Exchange (ASX) in accordance with section 205G(1) of the Corporations Act 2001 at the date of signature of this Directors' report is as follows:

Directors	Number of securities	Number of performance rights
Non-Executive		
Mr Ian Ferrier	141,674	–
Mr Philip Fan	17,103	–
Mr John Harkness	89,369	–
Ms Anne Keating	64,033	–
Ms Rebecca McGrath	14,336	–
Mr Phillip Pryke	108,232	–
Mr Jim Sloman	77,745	–
Executive		
Mr Gregory Goodman	45,583,572	3,601,700
Mr Philip Pearce	164,798	1,071,704
Mr Danny Peeters	679,624	1,909,441
Mr Anthony Rozic	333,611	1,898,241

At 30 June 2014, Anthony Rozic held 1,000 units in hybrid securities issued by Goodman PLUS Trust. None of the other Directors held a relevant interest in the hybrid securities issued by Goodman PLUS Trust.

Performance rights granted to the Directors during the financial year

During the financial year, the following performance rights over unissued securities were granted by the Consolidated Entity to the Directors under the Long Term Incentive Plan (LTIP):

Directors	Number of performance rights granted
Mr Gregory Goodman	947,368
Mr Philip Pearce	394,737
Mr Danny Peeters	421,053
Mr Anthony Rozic	421,053

No performance rights have been granted since the end of the financial year.

Securities issued on exercise of performance rights

During the financial year, the Consolidated Entity issued 5,465,002 stapled securities as a result of the vesting of performance rights. The amount paid on exercise was \$nil.

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

Unissued securities under performance rights

At the date of this Directors' report, unissued securities of Goodman under performance rights and the applicable relative total Securityholder return (relative TSR) or operating EPS performance hurdles were:

Expiry date	Exercise price \$	Number of performance rights ¹	Performance hurdles ²
Sep 18	–	12,562,467	Relative TSR (25%) and operating EPS (75%)
Sep 17	–	11,658,981	Relative TSR (25%) and operating EPS (75%)
Sep 16	–	10,395,704	Relative TSR (25%) and operating EPS (75%)
Sep 15	–	5,259,642	Relative TSR (25%) and operating EPS (75%)
Sep 14	–	2,775,989	Relative TSR (50%) and operating EPS (50%)

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited.

2. Further details of the relative TSR and operating EPS performance hurdles are disclosed in the remuneration report in this Directors' report. In addition to satisfying these performance hurdles, the vesting of performance rights is subject to an employee's continued employment over the vesting period.

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

Directors' report

Remuneration report – audited

The remuneration report outlines the Board's remuneration policies for key management personnel and explains further the relationship between remuneration policy and Goodman's financial and operational performance. In addition, this report discloses the remuneration details for key management personnel. Key management personnel are defined as those employees who have authority and responsibility for planning, directing and controlling the activities of Goodman. Key management personnel comprise the Executive and Non-Executive Directors of the Company and other senior executives of the Consolidated Entity. In this remuneration report, the Executive Directors and other senior executives are collectively referred to as "executives".

The report is set out as follows:

1. Remuneration policy for executives
 - (a) Fixed remuneration
 - (b) Short-term incentive
 - (c) Long-term incentive
2. Remuneration policy for Non-Executive Directors
3. Remuneration and Nomination Committee
4. Remuneration policies and financial performance
5. Discussion of 2014 remuneration outcomes
6. Directors' remuneration
7. Other senior executives' remuneration
8. Other prescribed information.

1. Remuneration policy for executives

Executive Director and other senior executive remuneration

The design and introduction of competitive remuneration structures that motivate executives are vital. Goodman's remuneration policies have been designed to encourage and reward superior performance that is aligned with the business strategy and to provide compelling incentive for high performing executives to remain employed with Goodman.

Remuneration packages for executives include three elements. The first element is a fixed (or base) component largely in the form of periodic cash salary payments. The other two elements are linked to performance and comprise short-term incentives (STI), in the form of discretionary cash bonuses, and long-term incentives (LTI), in the form of equity which are a conditional and deferred form of remuneration. For executives, there is an emphasis on performance-linked remuneration so that the majority of the total potential remuneration is performance based, and of that, a significant proportion is in the form of long term incentives, deferred over three to five years.

The Consolidated Entity's policy is that remuneration levels for executives are reviewed annually at the close of each financial year. Factors including individual performance against financial and non-financial key performance indicators, validation against local market remuneration levels and overall financial performance of Goodman are considered in assessing whether changes to remuneration levels or wider policy settings should occur. This annual review of remuneration occurs to ensure that the Consolidated Entity continues to remunerate appropriately and to attract and retain experienced executives. Where required, the Remuneration and Nomination Committee (Committee) obtains independent advice on the remuneration for executives and directly engages external and independent professionals to advise on relevant matters and assist with validation of remuneration levels.

The performance of executives is reviewed annually to determine the award of short-term and long-term performance-linked remuneration. Any STI awards recognise performance against clearly outlined and measureable performance criteria. The Consolidated Entity's strategy revolves around the "own+develop+manage" business model, focusing on improving performance in existing markets and growing the business in selected new markets in a prudent manner. Where the business is performing optimally, investment income will be supplemented by greater active income from development and management though the ability to earn "active income" is dependent on each element of the business model performing well. The amount of performance-linked remuneration is generally aligned to the achievement of key performance targets associated with these active income elements, with the objective of increasing Goodman's earnings and total securityholder returns.

The Committee considers that the alignment of longer-term interests of Securityholders and executives in relation to wealth creation is best achieved through LTI. In support of this, the Committee has determined that an appropriate strategy for the future is that for executives, recognition of performance should be demonstrated by increased LTI allocations and that in general, STI awards could reduce. The increased emphasis of LTI as a component of total remuneration is intended to ensure that executives are strongly motivated to generate sustainable returns over the longer term.

However, STI remains an important element of remuneration policy and as with previous years STI awards will continue to be made in one single payment. The Committee also considers that within the LTI structure, a deferral element exists in that executives remain exposed to any movement in the security price over the vesting period, and in the event where the performance of the Consolidated Entity does not meet expectations, that any resulting negative impact upon security price will diminish the value of the awards.

It is important to note that the Committee retains discretion to award performance-linked remuneration in consideration of multiple factors such as individual achievement against key performance indicators, Consolidated Entity or divisional results and general market conditions.

(a) Fixed remuneration

Fixed remuneration consists of a base remuneration package which includes cash, non-cash benefits including the full cost of any related fringe benefits tax charges, plus any salary sacrificed employer contributions to superannuation and pension funds.

Fixed remuneration is set at competitive levels for the market where the role is performed so as to attract and retain suitably qualified or experienced executives. Remuneration levels for executives are reviewed annually by the Committee, with recommendations by the Group Chief Executive Officer, through a process that considers individual, divisional and overall performance of the Consolidated Entity and remuneration movements in competitor companies and the wider market. Executives' remuneration may also be reviewed by the Committee on individual appointment or in cases where a change in job scope warrants additional remuneration.

(b) Short-term incentive

The STI is a cash bonus that is awarded only when Goodman achieves a target operating profit and an individual executive's performance meets or exceeds key performance targets for a relevant financial year. The Board considers that a cash bonus is a clear and more effective element of remuneration when it is paid in a single payment following completion of the consolidated financial statements to which it relates.

On the basis that the Consolidated Entity achieves its operating profit target, the Committee recommends a potential bonus pool based on an assessment of bonus ranges for all roles across the Consolidated Entity, referenced against market data for similar roles. The Committee also considers any material changes to the size and scale of the business and the dynamics of the particular markets in which the business operates.

Individual allocations to each executive are made based on an assessment of that executive's performance against key performance targets and contribution to the Consolidated Entity's performance. The Committee is responsible for determining allocations for the executives and recommends to the Board for approval, the allocation to the Group Chief Executive Officer and the other Executive Directors.

The Committee and the Board retain discretion on the final determination of STI awards in cases of exceptional individual or divisional performance, where the Consolidated Entity's financial metrics may not have been met. Conversely, awards may be withheld notwithstanding that targets may have been met (such as in the case of poor total Securityholder returns).

(c) Long-term incentive

The LTI, through the use of performance rights, are a conditional and deferred reward for past performance that enhances alignment with Securityholders through the requirement for performance criteria to be satisfied and through their value being correlated with security price performance over the longer term.

The LTIP, which provides for the issue of performance rights, was first approved at the 2009 Annual General Meeting and subsequently at the 2012 Annual General Meeting. Each performance right issued under the LTIP entitles an employee to acquire a Goodman stapled security for nil consideration subject to the achievement of performance hurdles over a three year period (refer below). In order to derive the full benefits of an award, an employee must remain employed over a five year vesting period.

The Committee considers that performance rights are an effective equity incentive because the perceived value and incentive to the employee remain tangible over the term of the instrument, subject to meeting performance hurdles. This differs from options where there may be a loss of both perceived value and incentive to employees when there is little or no difference between the market price and the strike price. The Committee has taken this into account when determining the size of awards.

To ensure that there is an appropriate balance between alignment with Securityholders and possible dilution, the number of performance rights outstanding at any point in time will not exceed 5% of the number of securities on issue. As at 30 June 2014, the total number of performance rights (including both equity settled and cash settled) outstanding as a percentage of total number of securities on issue was 2.65%.

Directors' report

Remuneration report – audited

Continued

The conditional nature of the award – performance hurdles

The Board has determined that awards under the LTIP be subject to two different performance hurdles tested over a three year financial period from the beginning of the financial year in which the awards are made.

The first performance hurdle, which applies to 75% of each award, requires that the actual operating EPS over a three year period meets the cumulative targets set by the Board over that period. Operating EPS is based on the operating profit and is determined on a diluted basis having regard to prospective issues of securities relating to performance rights where performance hurdles have been achieved. Under the test, 100% vests on the achievement of a cumulative operating EPS over three consecutive financial years that meets or exceeds the targets set by the Board for those years. If that cumulative target is not met, then there is nil vesting against this hurdle. The Board sets the target for a financial year at the commencement of each financial year having regard to the strategy and budget for the upcoming financial year (and subsequent years) so that returns are challenging but sustainable with prudent capital management.

The operating EPS hurdle measures the direct contribution of employees to the financial performance of Goodman. Strong performance in operating EPS generally correlates with stronger returns to Securityholders through distributions and, subject to market factors and conditions, security price increases. The importance of meeting targets is reflected in the all or nothing vesting outcomes but performance must be sustainable over the cumulative period. This is also aligned with the likely impact on Securityholder returns if Goodman's operating profit targets are not achieved.

The second performance hurdle, which applies to 25% of each award, is based on the relative TSR of the Consolidated Entity against that of other S&P/ASX 100 entities (refer below). This hurdle operates over a range of outcomes such that where the Consolidated Entity's performance is:

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

The TSR hurdle aligns vesting outcomes for employees with the returns to Securityholders assessed against a comparator group. Partial vesting against this hurdle only commences once above-average returns are achieved. For the LTIP awards prior to the current financial year, the Consolidated Entity's TSR was assessed relative to the S&P/ASX 200 index. However, the Board considers the change to the S&P/ASX 100 index is appropriate given the increase in Goodman's market capitalisation and its overall ranking by size within the top 100 ASX listed entities. Consistent with prior years, the Board is of the view that this comparator group is sufficiently broad to include a sample of businesses with geographic diversity and business complexity and that Goodman competes for investment capital against this comparator group.

Deferral and long-term decision making

LTI are a form of deferred remuneration. The performance conditions which are attached to LTI are tested over a period of three financial years and require consistent long-term performance to be satisfied. Short-term decisions that may benefit short-term rewards (such as STI) may adversely impact the ability to satisfy LTI performance hurdles if they are not also aligned to longer-term outcomes.

To ensure further long-term alignment, vesting is in three equal tranches approximately three, four and five years after the award, subject to the performance hurdles having been achieved and the individual remaining employed by the Consolidated Entity (or ceasing to be employed in special circumstances e.g. death, total and permanent disability, redundancy or retirement). The extra period from three to five years also acts to strengthen the importance of outcomes that are sustained and reflected in continuing security price performance that benefits all Securityholders. Where the business is performing strongly as a result of the contribution of executives, LTI grants are also likely to have a desirable retention effect.

No hedging of unvested LTI

The Board's policy set out in the Securities Trading Policy is that no Director or employee may enter into any arrangement to limit their exposure to risk in relation to unvested performance rights, options or securities issued under an employee incentive plan. In accordance with their terms of engagement, Directors and employees are required to comply with the Consolidated Entity's policies.

Forfeiture of LTI

Under the terms of the LTIP, where a participant is dismissed in circumstances where such dismissal could be made without notice being given, their award will be forfeited. Such dismissal arises in circumstances of serious misconduct which would include material misstatement of financial statements where intentional.

2. Remuneration policy for Non-Executive Directors

The policy for remuneration of Non-Executive Directors is structured to ensure independence of judgement in acting in the best interests of Securityholders and in the performance of their duties. Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees. These fees reflect the experience and responsibilities attached to the role of being Non-Executive Directors and periodically remuneration levels are benchmarked against data from external advisers about fees paid to non-executive directors of comparable companies.

As approved by Securityholders at the 2006 Annual General Meeting, total remuneration payable by the Consolidated Entity to all Non-Executive Directors in aggregate must not exceed \$2.5 million per annum.

Non-Executive Directors are not entitled to participate in any STI or LTI schemes which may be perceived to create a bias when overseeing executive decision making. However, the Board has a policy set out in the Directors' Securities Acquisition Plan for Non-Executive Directors to accumulate a significant long-term holding of stapled securities so that they have an alignment of interests with Securityholders. Under the plan, this holding is required to equal in value twice their annual base fees. The value of securities for this purpose equals the higher of purchase cost or market value at the end of each financial year. This holding may be acquired at any time but where not held at the beginning of a financial year, the policy is for 25% of base fees (net of tax) during the financial year to be applied to the on-market purchase of securities.

3. Remuneration and Nomination Committee

The Board, based on advice from the Committee, has developed policies dealing with fixed remuneration, STI and LTI. The role of the Committee in setting these policies is set out below.

The Committee meets as required to consider and recommend to the Board, the remuneration policy and the specific remuneration arrangements for Non-Executive Directors, Executive Directors and senior executives. In addition, the Committee considers and is responsible for the oversight of remuneration aspects which have a bearing upon all employees across the Consolidated Entity, including STI, LTI, superannuation/pension entitlements and termination payments. The Committee is also responsible for certain other related human resources policies and oversees a succession planning exercise for key operational roles.

During the financial year, the members of the Committee were:

- + Mr Phillip Pryke (Independent Chairman of the Committee);
- + Mr Ian Ferrier (Independent Member);
- + Ms Anne Keating (Independent Member);
- + Ms Rebecca McGrath (Independent Member); and
- + Mr Jim Sloman (Independent Member).

The Committee has adequate resources and the appropriate authority to discharge its duties and responsibilities and directly engages with external consultants, proxy advisers and major investors. During the current financial year, the Chairman of the Board and the Chairman of the Committee engaged directly with proxy advisers and major investors to understand their viewpoint on issues relating to remuneration and Board composition. The Committee considers that this is an important aspect of its work and the Committee has and continues to evaluate the issues raised in a systematic manner.

During the prior financial year, the Committee engaged Ernst & Young to provide market data in respect of remuneration for Non-Executive Directors and certain senior executive roles.

The Committee members' meeting attendance record is disclosed on page 16 in this Directors' report.

Further information relating to the scope and activities of the Committee is available on Goodman's website and the Corporate Governance Statement to be released with the Annual Report.

Directors' report

Remuneration report – audited

Continued

4. Remuneration policies and financial performance

Set out below is a general discussion of the Board's remuneration policies and how they relate to the Consolidated Entity's earnings and the consequences of the Consolidated Entity's performance on Securityholder wealth over the last five financial years.

The Consolidated Entity reported an operating profit for the current financial year of \$601.1 million, compared to the 2013 financial year of \$544.1 million, and the 2012 financial year of \$463.4 million.

Historical performance for TSR and operating EPS over the past five financial years for Goodman is as follows:

		2014	2013	2012	2011	2010
TSR ¹	%	10.7	34.0	7.3	16.8	99.2
Operating EPS ²	cents	34.8	32.4	30.5	28.3	26.3

1. The TSR (sourced from Bloomberg) is based on the distributions paid to Securityholders and the security price movement during each financial year and assumes Securityholders reinvested distributions. The calculated TSR is compared to the TSR of other entities in the S&P/ASX 100 (S&P/ASX 200 for grants made prior to the current financial year) for the purpose of determining the relative TSR performance hurdle under the LTIP.
2. Operating EPS is the operating profit divided by the weighted average number of securities on issue during the year, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.

As can be seen from the table setting out the Consolidated Entity's historical performance for TSR and operating EPS over the past five financial years, both TSR and operating EPS have been positive, with operating EPS showing a consistent annual increase.

The impact of both the security price and the Consolidated Entity's operating performance have been taken into account by the Board and the Committee in determination of remuneration policy and its application in respect of fixed remuneration, STI and LTI elements.

Impact on fixed remuneration

The Consolidated Entity remains focused on the fixed cost element in the business. Executives have generally not had increases in fixed remuneration unless a significant change to their role and responsibilities has occurred.

To the extent that financial performance has met or exceeded targets and the Consolidated Entity's position and prospects enable and support additional remuneration, this has been in the form of STI and LTI. The Board and Committee have regard to the appropriate mix between STI and LTI and while rewarding current year performance in the form of STI, they also seek to encourage longer-term alignment with the award of LTI.

Impact on STI

A key determinant of bonus pools for allocation to individuals during the period is the generation of operating profit to at least the target level. While operating profit is the key determinant, the Committee retains discretion to withhold STI.

Since the 2010 financial year, the Consolidated Entity has met or exceeded operating profit targets for the creation of bonus pools and Securityholders have also benefited as evidenced by positive TSR. In respect of each of these financial years, executives have been awarded and paid STI.

Impact on LTI

LTIP grants for the 2010 and 2011 financial years

In respect of the LTIP grants in the 2010 and 2011 financial years, both the EPS and TSR hurdles were fully achieved in prior financial years. For the 2010 grant, two tranches of the performance rights have now vested and the third and final tranche will vest in September 2014. For the 2011 grant, the first tranche of the performance rights vested in September 2013 and further tranches will vest in September 2014 and September 2015. Future vesting for both grants is subject to executives remaining employed by the Consolidated Entity.

LTIP grants for the 2012, 2013 and 2014 financial years

The table below summarises the cumulative to date performance for both the relative TSR and operating EPS tranches in respect of the grants made in the 2012, 2013 and 2014 financial years. For each grant, 75% is tested against an operating EPS hurdle and 25% against a relative TSR hurdle.

	Financial year of grant		
	2012	2013	2014
Performance period (three years ending)	30 June 2014	30 June 2015	30 June 2016
Goodman Group TSR per annum to 30 June 2014	18.7%	22.1%	10.7%
TSR assessed relative to	S&P/ASX 200	S&P/ASX 200	S&P/ASX 100
Relative TSR percentile to 30 June 2014	75th	68th	27th
Cumulative operating EPS target to 30 June 2014	96.6cps	66.6cps	34.3cps
Cumulative operating EPS to 30 June 2014	97.7cps	67.2cps	34.8cps

2012 LTIP grant

Based on the achievement of the operating EPS hurdle and partial achievement of the relative TSR performance hurdle, 99.5% of the 2012 financial year grant of performance rights will vest into Goodman securities, and will be delivered to eligible employees in three tranches on an annual basis commencing from September 2014. Employees must remain employed on each of the three delivery dates in September 2014, 2015 and 2016 respectively to retain entitlement to the vested Goodman securities.

2013 and 2014 LTIP grants

For the grants made in the 2013 and 2014 financial years, the performance periods run to 30 June 2015 and 30 June 2016 respectively.

For both grants, the operating EPS hurdles have been met or exceeded to date, and if this was the final assessment it would result in 100% vesting of those tranches. However, meeting the hurdles will depend on achieving the cumulative EPS targets over the three year performance periods. The operating EPS target for the 2015 financial year is 36.9 cents per security.

In respect of the relative TSR tranches, if the percentiles achieved to date were the final assessments, it would result in 84% vesting of the relative TSR tranche for the 2013 grant but no vesting of the relative TSR tranche for the 2014 grant. However, as noted above, the relative TSR tranche is assessed against the performance over the three financial years so the final outcome will depend on the Consolidated Entity's performance against the market over the three year performance periods.

5. Discussion of 2014 remuneration outcomes

In the current financial year, the Committee considered a range of factors in the determination of remuneration outcomes for the Group Chief Executive Officer and other senior executives. These factors include the performance of the Consolidated Entity reflected across a number of key financial measures, the achievement by executives against their specific performance objectives and progress made against longer-term strategic initiatives.

Reporting of remuneration for key management personnel in accordance with accounting standards is set out in the tables on page 31 for Non-Executive and Executive Directors and on page 33 for other senior executives.

In relation to fixed remuneration, the Board maintained fixed remuneration at similar levels to prior years for executives.

As referred to above, STI payments are made to executives upon the achievement of agreed key performance indicators that relate to both financial and non-financial criteria. During the current financial year, executives, including the Group Chief Executive Officer, have been awarded STI reflecting their performance and contribution to the business. The Committee considered that the achievements of the executives in relation to various strategic initiatives represented an overall performance that met the agreed key performance indicators.

A summary of the key operational achievements during the year ended 30 June 2014 is set out below:

Operational achievements

- + a 7% increase in Goodman's operating EPS from 32.4 cents per security to 34.8 cents per security;
- + maintaining an overall leasing occupancy rate of 96% with retention levels at 73%;
- + like-for-like rental growth of 2.2%;
- + development work in progress of A\$2.6 billion across 76 projects in 11 countries with a forecast yield on cost of 8.3%;
- + capitalising on market demand for industrial properties with \$1.5 billion of asset recycling;
- + global deployment of business process improvement activities, such as information technology optimisation programs; and
- + disciplined approach to ensuring investments meet required investment hurdles and not just grow AUM.

Fund management achievements

- + increasing external AUM to \$22.4 billion across 15 managed vehicles for 57 capital partners;
- + raising a total of A\$2.2 billion of new third party equity capital across Goodman's managed fund platform;
- + raising €550 million for GELF, with Goodman selling a further €110 million of its cornerstone investment to meet excess demand;
- + establishing the KWASA Goodman Germany partnership with EPF on a 70:30 split with an initial equity commitment of €500 million;
- + raising US\$500 million for GCLH and extending the GCLH fund mandate for a further five years to 2019;
- + raising ¥9.0 billion for GJCF TMKs to fund the acquisition of Goodman Sakai; and
- + increasing GJDP equity allocation by US\$300 million to US\$800 million.

Capital management achievements

- + growing operating profit by 10% while maintaining the Consolidated Entity's headline gearing at 19.5%;
- + maintaining available liquidity of \$1.5 billion covering maturities to December 2018;
- + proactively renewing and extending bank facilities at improved rates;
- + procuring debt facilities of \$5.1 billion, with average term of 4.0 years, across the Consolidated Entity and its managed funds;
- + raising \$0.8 billion through debt capital markets for the managed funds with an average expiry of 10.5 years, including GHKLF inaugural US\$400 million 10 year Euro medium term note issuance rated BBB+ by Standard & Poor's; and
- + obtaining a favourable outlook from rating agencies, including Standard & Poor's revision of Goodman's BBB credit outlook to positive from stable.

As a result of meeting of key financial targets for the Consolidated Entity and other key performance indicators (including the achievements set out above), STI payments were awarded as disclosed in the tables on pages 31 and 33.

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In addition, during the year ended 30 June 2014, executives received an LTI award in September 2013 (or shortly thereafter where it was subject to Securityholder approval) in recognition of their performance in the financial year ended 30 June 2013 and as long-term remuneration aligned with future performance. In accordance with accounting standards, the value of that award is determined using option pricing models and is then amortised, along with the value of unvested prior year awards, in the statement of comprehensive income over the vesting periods.

The Board also intends to make an award of LTI with regard to the executives' performance in the 2014 financial year and as long-term remuneration for future performance. This is not reflected in the current year remuneration (as it was not awarded prior to 30 June 2014). Further information about these intended awards is set out on page 36.

Group Chief Executive Officer effective remuneration

The analysis in this subsection considers the Group Chief Executive Officer's remuneration relative to the performance of the Consolidated Entity, including a discussion of the cash value of LTI received (as opposed to accounting value).

The table below illustrates the correlation between the components of the Group Chief Executive Officer's remuneration, operating profit (refer to page 18 for the reconciliation between operating profit and statutory profit for the current and prior financial years) and TSR over the last five financial years:

Group Chief Executive Officer remuneration \$M



The total of the short-term remuneration awarded in the form of base pay and STI to Mr Gregory Goodman in respect of the current financial year was \$3.8 million (2013: \$3.9 million). In respect of the awards made under the LTIP, \$2.3 million (2013: \$1.0 million) vested to Mr Gregory Goodman during the current financial year.

Further details of the Group Chief Executive Officer's base pay and performance based remuneration are as follows:

Base pay

Over the past five years, the Group Chief Executive Officer's base pay has remained constant.

Performance based remuneration

STI has been awarded in each of the last five financial years, as in respect of each financial year operating profit met or exceeded target and TSR was positive. In 2013, in relation to the Group Chief Executive Officer's performance based remuneration, the Board changed the balance between STI and LTI towards LTI in order to enhance alignment with Securityholders and long-term objectives. Accordingly, STI is lower in the 2013 and 2014 financial years compared to the 2012 financial year.

LTI is shown where securities have vested during the financial year and is calculated as the market price of securities on the ASX at close of trading on the date the securities vested. The increase in LTI in the 2014 financial year is a result of two tranches vesting during the year. There is expected to be a further increase in LTI in the 2015 financial year as a result of three tranches of the LTI awards vesting. This is further explained below.

In September 2013, the second tranche of the LTI award made in FY10 and the first tranche of the LTI award made in FY11 vested. This resulted in the Group Chief Executive Officer receiving 503,590 securities associated with these awards which, based on a security price of A\$4.60 at the vesting date, had a value of A\$2,316,514. As these awards are not subject to further testing, future tranches will vest in September 2014 and September 2015, subject to continued employment.

The first tranche of the 2012 financial year LTI award will also vest in September 2014 as a result of the operating EPS hurdle being fully achieved and the relative TSR hurdle being 98% achieved for the three years ended 30 June 2014. The vesting of these performance rights will occur equally over the next three years in September 2014, September 2015 and September 2016, subject to continued employment.

This deferred vesting means that the Group Chief Executive Officer continues to be exposed to the Goodman security price until the vesting date.

Non-Executive Directors

The remuneration of Non-Executive Directors is periodically benchmarked against data from external advisers about fees paid to non-executive directors of comparable companies and must be within the Securityholder approved pool of \$2.5 million per annum. As a result of the benchmarking undertaken in the prior financial year, directors' base fees were increased by 3% from 1 July 2013, with fees for membership of Board committees remaining unchanged.

Total Non-Executive Directors' fees for the financial year were \$2.0 million (2013: \$1.9 million) which takes into account amounts paid for their participation on various Board committees, chairing of these committees and compulsory contributions to superannuation. The increase in Non-Executive Director fees compared to the prior financial year is due to the 3% increase in the base fees from 1 July 2013. Prior to this, there had been no increase in base fees since 1 July 2007.

Non-Executive Directors are not entitled to participate in the STI and LTI programs and no performance rights or options over stapled securities have been issued to Non-Executive Directors in the current financial year.

6. Directors' remuneration

Details of the nature and amount of each major element of the remuneration of each Director in relation to the management of Goodman's affairs, as calculated under the accounting standards, are set out below:

Directors		Short-term				Share based Long-term payments			Total	Proportion of remuneration related to performance	Value of performance right as proportion of remuneration
		Salary and fees ¹	Bonus ²	Other ³	Total	Post-employment superannuation benefits	Other ³	Performance rights ⁴			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non-Executive											
Mr Ian Ferrier	2014	497,225	-	-	497,225	17,775	-	-	515,000	-	-
	2013	483,530	-	-	483,530	16,470	-	-	500,000	-	-
Mr Philip Fan	2014	227,975	-	-	227,975	-	-	-	227,975	-	-
	2013	218,297	-	-	218,297	-	-	-	218,297	-	-
Mr John Harkness	2014	240,200	-	-	240,200	17,775	-	-	257,975	-	-
	2013	236,030	-	-	236,030	16,470	-	-	252,500	-	-
Ms Anne Keating	2014	210,200	-	-	210,200	17,775	-	-	227,975	-	-
	2013	206,030	-	-	206,030	16,470	-	-	222,500	-	-
Ms Rebecca McGrath	2014	210,200	-	-	210,200	17,775	-	-	227,975	-	-
	2013	201,900	-	-	201,900	16,397	-	-	218,297	-	-
Mr Phillip Pryke ⁵	2014	310,159	-	-	310,159	17,775	-	-	327,934	-	-
	2013	289,051	-	-	289,051	16,470	-	-	305,521	-	-
Mr Jim Sloman	2014	210,200	-	-	210,200	17,775	-	-	227,975	-	-
	2013	205,505	-	-	205,505	16,470	-	-	221,975	-	-
Executive											
Mr Gregory Goodman	2014	1,347,907	2,410,000	42,412	3,800,319	1,966	-	2,667,013	6,469,298	78.5	41.2
	2013	1,325,838	2,500,000	13,988	3,839,826	16,470	24,316	2,166,006	6,046,618	77.2	35.8
Mr Philip Pearce	2014	643,099	1,255,000	-	1,898,099	2,141	-	834,212	2,734,452	76.4	30.5
	2013	565,064	1,300,000	-	1,865,064	1,883	-	564,523	2,431,470	76.7	23.2
Mr Anthony Rozic	2014	702,390	1,300,000	18,010	2,020,400	17,775	12,164	1,342,698	3,393,037	77.9	39.6
	2013	669,126	1,350,000	18,703	2,037,829	16,470	21,983	1,201,578	3,277,860	77.8	36.7
		€	€	€	€	€	€	€	€		
Mr Danny Peeters ⁶	2014	558,548	915,000	-	1,473,548	-	-	913,273	2,386,821	76.6	38.3
	2013	546,275	950,000	-	1,496,275	-	-	966,867	2,463,142	77.8	39.3

Refer to the following page for explanatory footnotes.

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Notes in relation to the table of Directors' remuneration

1. Salary and fees represents the amounts due to the Directors under the terms of their service agreements and does not reflect any salary sacrifice elections by the Directors. Salary and fees for the Non-Executive Directors include amounts payable for their participation on various Board committees. Salary and fees for the Executive Directors include movements in annual leave provisions during the financial year.
2. The bonuses awarded to the Executive Directors are in accordance with the bonus policy and based on both individual performance and the performance of the Consolidated Entity.
3. Other includes reportable fringe benefits, car parking and other allowances and changes in long service leave.
4. For the current and prior financial year, the value attributed to performance rights is based on the Consolidated Entity's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2014.

For the current financial year, the following assumptions were used in determining the fair value of performance rights on grant date:

Grant date	Expiry date	Fair value per performance right \$	Market price of security \$	Expected volatility %	Dividend/distribution yield per annum %	Average risk free interest rate per annum %
2014						
22 Nov 13	Sep 18	3.67	4.97	21.62	5.10	3.55
2013						
16 Nov 12	Sep 17	3.37	4.49	27.00	4.32	3.18
12 Oct 12	Sep 17	3.15	4.13	27.00	4.70	3.18
2012						
25 Nov 11	Sep 16	2.12	2.90	34.80	5.83	3.09
30 Sep 11	Sep 16	2.04	2.90	30.50	5.91	3.74
2011						
1 Feb 11	Sep 15	2.80	3.35	29.29	4.95	5.11
2010						
14 May 10	Sep 14	3.00	3.35	64.94	5.23	5.04

5. Salary and fees reported in the current financial year for Mr Phillip Pryke include an amount of A\$84,960 (NZ\$94,000) (2013: A\$68,022 (NZ\$85,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.
6. Mr Danny Peeters' remuneration is disclosed in Euros as all his remuneration, with the exception of performance rights, is determined in Euros rather than Australian dollars. The value attributed to his performance rights is translated from Australian dollars to Euros at the weighted average rate for the current financial year of A\$/€ 0.6770 (2013: A\$/€ 0.7949).

7. Other senior executives' remuneration

Details of the nature and amount of each major element of the remuneration of other senior executives (excluding the Directors) are set out below:

Other senior executives		Short-term				Post-employment superannuation benefits	Long-term		Share based payments		Proportion of remuneration performance related	Value of performance rights as proportion of remuneration
		Salary and fees ¹	Bonus ²	Other ³	Total		Other ³	Performance rights ⁴	Total			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Mr Nick Kurtis, Head of Equities	2014	687,987	1,300,000	18,010	2,005,997	17,775	(27,158)	1,341,156	3,337,770	79.1	40.2	
	2013	715,218	1,350,000	18,703	2,083,921	16,470	(41,201)	1,201,578	3,260,768	78.3	36.8	
Mr Nick Vrontas, Chief Financial Officer	2014	597,040	1,200,000	16,500	1,813,540	17,775	16,912	1,052,810	2,901,037	77.7	36.3	
	2013	587,233	1,150,000	17,135	1,754,368	16,470	14,828	889,862	2,675,528	76.2	33.3	
Mr Jason Little, General Manager Australia	2014	491,187	965,000	–	1,456,187	17,775	(6,690)	705,577	2,172,849	76.9	32.5	
	2013	423,067	900,000	635	1,323,702	16,470	10,401	512,516	1,863,089	75.8	27.5	

Notes in relation to the table of other senior executives' remuneration

- Salary and fees includes movements in annual leave provisions during the financial year.
- Bonuses awarded to executives are in accordance with the bonus policy and based on individual performance of executives as well as the overall performance of the Consolidated Entity.
- Other includes reportable fringe benefits, car parking and other allowances and changes in long service leave balances.
- For the current and prior financial year, the value attributed to performance rights is based on the Consolidated Entity's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2014.

For the current financial year, the following assumptions were used in determining the fair value of performance rights on grant date:

Grant date	Expiry date	Fair value per performance right	Market price of security	Expected volatility	Dividend/distribution yield per annum	Average risk free interest rate per annum
		\$	\$	%	%	%
2014						
27 Sep 13	Sep 18	3.66	4.93	23.62	4.92	3.40
2013						
12 Oct 12	Sep 17	3.15	4.13	27.00	4.70	3.18
2012						
30 Sep 11	Sep 16	2.04	2.90	30.50	5.91	3.74
2011						
1 Feb 11	Sep 15	2.80	3.35	29.29	4.95	5.11
2010						
14 May 10	Sep 14	3.00	3.35	64.94	5.23	5.04

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8. Other prescribed information

Service agreements

All employees are engaged under written employment agreements that provide for usual conditions of employment applying in the industry, including the need for compliance with specific policies of the Consolidated Entity such as its Code of Conduct and Human Resource Policies.

Goodman has agreed specific notice of termination periods in the employment contracts of executives ranging from 6 to 12 months. Statutory entitlements such as accrued leave are payable in the usual course on termination.

As at the date of signature of this Directors' report, the notice periods of the executives are as follows:

	Notice Period	
	Company	Employee
Executive Directors		
Mr Gregory Goodman	12 months	12 months
Mr Philip Pearce	6 months	6 months
Mr Danny Peeters	12 months	12 months
Mr Anthony Rozic	6 months	6 months
Other senior executives		
Mr Nick Kurtis	6 months	6 months
Mr Nick Vrondas	6 months	6 months
Mr Jason Little	6 months	6 months

Consistent with local practice in Belgium, Mr Danny Peeters provides his services through a management company, DPCON Bvba.

Analysis of bonuses included in the remuneration

Details of the Consolidated Entity's policy in relation to the proportion of remuneration that is performance related is discussed in sections 1(b) and 1(c) of the remuneration report. No bonuses were forfeited during the financial year. Bonuses may not be paid in the event that an individual ceases employment through resignation.

Share based payments included as remuneration

Share based payments in the consolidated financial report refers to performance rights over Goodman stapled securities issued under the LTIP. Performance rights have been issued to the executives in both the current and prior financial year but have not been issued to the Non-Executive Directors.

Performance rights over Goodman stapled securities

Details of the performance rights under the LTIP that were granted by the Company during the year as compensation to the executives and details of the performance rights under the LTIP that vested during the current financial year are set out below:

	Number of performance rights granted	Grant date	Fair value per performance right ¹ \$	Expiry date	Number of performance rights vested
Executive Directors					
Mr Gregory Goodman	947,368	22 Nov 13	3.67	Sep 18	503,590
Mr Philip Pearce	394,737	22 Nov 13	3.67	Sep 18	127,671
Mr Danny Peeters	421,053	22 Nov 13	3.67	Sep 18	344,812
Mr Anthony Rozic	421,053	22 Nov 13	3.67	Sep 18	333,611
Other senior executives					
Mr Nick Kurtis	421,053	27 Sep 13	3.66	Sep 18	333,611
Mr Nick Vrondas	368,421	27 Sep 13	3.66	Sep 18	236,789
Mr Jason Little	315,789	27 Sep 13	3.66	Sep 18	131,250

1. Fair value determined at the grant date.

Performance rights will expire on termination of the individual's employment (subject to special circumstances) and vesting is conditional on Goodman achieving certain performance hurdles (refer to page 26). For performance rights granted during the current financial year, the earliest vesting date is September 2016.

Exercise of performance rights over Goodman stapled securities

As performance rights have an exercise price of \$nil, Goodman stapled securities are automatically issued to employees when the performance rights vest. Accordingly, the number of stapled securities issued during the financial year equals the number of performance rights that vested during the financial year, as set out in the table above, and there are no amounts unpaid on the stapled securities issued as a result of the exercise of the performance rights in the financial year.

Analysis of performance rights over Goodman stapled securities

Details of vesting profiles of the performance rights granted under the LTIP as remuneration to each executive are set out below:

	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	947,368	22 Nov 13	–	–	–	2017 – 2019
	927,152	16 Nov 12	–	–	–	2016 – 2018
	980,000	25 Nov 11	–	–	–	2015 – 2017
Mr Philip Pearce	730,770	1 Feb 11	–	33.3	–	2014 – 2016
	780,000	14 May 10	33.3	33.3	–	2013 – 2015
	394,737	22 Nov 13	–	–	–	2017 – 2019
	298,013	16 Nov 12	–	–	–	2016 – 2018
	200,000	30 Sep 11	–	–	–	2015 – 2017
	153,847	1 Feb 11	–	33.3	–	2014 – 2016
Mr Danny Peeters	229,167	14 May 10	33.3	33.3	–	2013 – 2015
	421,053	22 Nov 13	–	–	–	2017 – 2019
	463,576	12 Oct 12	–	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	–	2015 – 2017
Mr Anthony Rozic	480,000	1 Feb 11	–	33.3	–	2014 – 2016
	554,436	14 May 10	33.3	33.3	–	2013 – 2015
	421,053	22 Nov 13	–	–	–	2017 – 2019
	463,576	12 Oct 12	–	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	–	2015 – 2017
	480,000	1 Feb 11	–	33.3	–	2014 – 2016
	520,834	14 May 10	33.3	33.3	–	2013 – 2015
Other senior executives						
Mr Nick Kurtis	421,053	27 Sep 13	–	–	–	2017 – 2019
	463,576	12 Oct 12	–	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	–	2015 – 2017
	480,000	1 Feb 11	–	33.3	–	2014 – 2016
Mr Nick Vrondas	520,834	14 May 10	33.3	33.3	–	2013 – 2015
	368,421	27 Sep 13	–	–	–	2017 – 2019
	397,351	12 Oct 12	–	–	–	2016 – 2018
	360,000	30 Sep 11	–	–	–	2015 – 2017
	293,700	1 Feb 11	–	33.3	–	2014 – 2016
Mr Jason Little	416,667	14 May 10	33.3	33.3	–	2013 – 2015
	315,789	27 Sep 13	–	–	–	2017 – 2019
	231,788	12 Oct 12	–	–	–	2016 – 2018
	200,000	30 Sep 11	–	–	–	2015 – 2017
	200,000	1 Feb 11	–	33.3	–	2014 – 2016
	193,750	14 May 10	33.3	33.3	–	2013 – 2015

Modification of terms of equity settled share based payment transactions

The terms of the Consolidated Entity's share based payments were not altered or modified by Goodman during the current financial year.

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Analysis of movement of performance rights over Goodman stapled securities granted as compensation

The movement during the current financial year, by value, of performance rights granted under the LTIP to each executive is set out below:

Long Term Incentive Plan	Value of performance rights granted in the year ¹ \$	Value of performance rights vested in the year ² \$	Value of performance rights lapsed in the year \$
Executive Directors			
Mr Gregory Goodman	3,476,841	2,316,514	–
Mr Philip Pearce	1,448,685	587,287	–
Mr Danny Peeters	1,545,265	1,586,135	–
Mr Anthony Rozic	1,545,265	1,534,611	–
Other senior executives			
Mr Nick Kurtis	1,541,054	1,534,611	–
Mr Nick Vrontas	1,348,421	1,089,229	–
Mr Jason Little	1,155,788	603,750	–

No performance rights provided under the LTIP have been granted since the end of the financial year, however, the Committee intends to make an award under the LTIP to eligible employees in the first quarter of the financial year ending 30 June 2015. The estimated number of performance rights to be awarded to each executive is set out below:

	Estimated number of performance rights ¹
Executive Directors	
Mr Gregory Goodman	1,050,000
Mr Philip Pearce	525,000
Mr Danny Peeters	525,000
Mr Anthony Rozic	570,000
Other senior executives	
Mr Nick Kurtis	570,000
Mr Nick Vrontas	525,000
Mr Jason Little	415,000

1. The actual number of performance rights will be determined subsequent to the date of the consolidated financial report and may differ from the numbers disclosed above.

1. The value of performance rights granted under the LTIP is the fair value calculated at grant date being 22 November 2013 for the Executive Directors and 27 September 2013 for the other executives. The fair value is calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the S&P/ASX 100 entities, and discounted the future value of any potential future vesting performance rights to arrive at a present value.

2. The value of performance rights vested is calculated using the closing price on the ASX of \$4.60 on 2 September 2013, the day the performance rights vested.

The movement during the current financial year, by number, of performance rights granted under the LTIP to each executive is set out below:

	Year	Held at the start of the year ¹	Granted as compensation	Vested	Held at the end of the year
Mr Gregory Goodman	2014	3,157,922	947,368	(503,590)	3,601,700
	2013	2,490,770	927,152	(260,000)	3,157,922
Mr Philip Pearce	2014	804,638	394,737	(127,671)	1,071,704
	2013	583,014	298,013	(76,389)	804,638
Mr Danny Peeters	2014	1,833,200	421,053	(344,812)	1,909,441
	2013	1,554,436	463,576	(184,812)	1,833,200
Mr Anthony Rozic	2014	1,810,799	421,053	(333,611)	1,898,241
	2013	1,520,834	463,576	(173,611)	1,810,799
Mr Nick Kurtis	2014	1,810,799	421,053	(333,611)	1,898,241
	2013	1,520,834	463,576	(173,611)	1,810,799
Mr Nick Vrontas	2014	1,328,829	368,421	(236,789)	1,460,461
	2013	1,070,367	397,351	(138,889)	1,328,829
Mr Jason Little	2014	760,955	315,789	(131,250)	945,494
	2013	593,750	231,788	(64,583)	760,955

1. These figures represent the securities held at either the start of the financial year or the date of becoming a key management person, if later.

No performance rights vested but were not exercised during the year. No performance rights were forfeited during the year.

None of the Non-Executive Directors had any interests in performance rights over stapled securities.

Movement in Goodman stapled securities

The movement during the financial year in the number of Goodman stapled securities held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Year	Held at the start of the year ¹	Securities issued on vesting of performance rights	Acquisitions	Disposals	Held at the end of the year
Non-Executive Directors						
Mr Ian Ferrier	2014	122,495	–	19,179	–	141,674
	2013	102,577	–	19,918	–	122,495
Mr Philip Fan	2014	9,443	–	7,660	–	17,103
	2013	2,954	–	6,489	–	9,443
Mr John Harkness	2014	79,974	–	9,395	–	89,369
	2013	69,841	–	10,133	–	79,974
Ms Anne Keating	2014	64,033	–	–	–	64,033
	2013	60,974	–	3,059	–	64,033
Ms Rebecca McGrath	2014	7,506	–	6,830	–	14,336
	2013	–	–	7,506	–	7,506
Mr Phillip Pryke	2014	108,232	–	–	–	108,232
	2013	108,232	–	–	–	108,232
Mr Jim Sloman	2014	70,830	–	6,915	–	77,745
	2013	61,394	–	9,436	–	70,830
Executive Directors						
Mr Gregory Goodman	2014	45,079,982	503,590	–	–	45,583,572
	2013	45,076,923	260,000	3,059	(260,000)	45,079,982
Mr Philip Pearce	2014	37,127	127,671	–	–	164,798
	2013	40,738	76,389	–	(80,000)	37,127
Mr Danny Peeters	2014	584,812	344,812	–	(250,000)	679,624
	2013	600,000	184,812	–	(200,000)	584,812
Mr Anthony Rozic	2014	–	333,611	–	–	333,611
	2013	–	173,611	–	(173,611)	–
Other senior executives						
Mr Nick Kurtis	2014	3,591	333,611	500	(90,500)	247,202
	2013	3,591	173,611	–	(173,611)	3,591
Mr Nick Vrondas	2014	43,059	236,789	–	–	279,848
	2013	40,000	138,889	3,059	(138,889)	43,059
Mr Jason Little	2014	64,583	131,250	–	(195,833)	–
	2013	–	64,583	–	–	64,583

1. These figures represent the securities held at either the start of the financial year or the date of becoming a key management person, if later.

Movement in hybrid securities issued by Goodman PLUS Trust

Two of the executives hold, directly or beneficially, hybrid securities issued by Goodman PLUS Trust. The movement during the financial year in the number of securities held by those executives, including their related parties, is as follows:

	Year	Held at the start of the year	Acquisitions	Disposals	Held at the end of the year
Mr Anthony Rozic	2014	1,000	–	–	1,000
	2013	1,000	–	–	1,000
Mr Nick Vrondas	2014	120	–	–	120
	2013	120	–	–	120

None of the other executives had any interests in hybrid securities issued by Goodman PLUS Trust.

Transactions with executives and their related entities

There are no other transactions with executives and their related entities.

Directors' report

Continued

Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of Australia, those obligations are identified and appropriately addressed. The Directors have determined that there has not been any material breach of those obligations during the financial year.

Indemnification and insurance of officers and auditors

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

Goodman has insured to the extent permitted by law, current and former Directors and Officers of the Consolidated Entity in respect of liability and legal expenses incurred in their capacity as a Director or Officer. As it is prohibited under the terms of the contract of insurance, the Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid. The auditors of the Consolidated Entity are not indemnified in any way by this insurance cover.

Non-audit services

During the financial year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties. The Board has considered the non-audit services provided during the financial year to the Company and its controlled entities 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 the Company 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 Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to KPMG and its related practices for the audit and non-audit services provided during the financial year to the Company and its controlled entities are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed.

	Consolidated	
	2014	2013
	\$000	\$000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	989.2	1,145.9
– Audit and review of financial reports (overseas KPMG firms)	909.2	793.3
	1,898.4	1,939.2
Other regulatory services		
– Other regulatory services (KPMG Australia)	42.7	36.2
– Other regulatory services (overseas KPMG firms)	28.3	15.3
Other assurance services		
– Investigative accounting services (KPMG Australia)	10.0	177.1
– Investigative accounting services (overseas KPMG firms)	11.3	194.9
Taxation services		
– Taxation compliance services (KPMG Australia)	2.4	61.3
– Taxation compliance services (overseas KPMG firms)	195.4	86.4
– Other taxation advice (KPMG Australia)	61.4	151.8
– Other taxation advice (overseas KPMG firms)	149.8	322.2
	501.3	1,045.2
Total paid/payable to KPMG	2,399.7	2,984.4
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	202.7	197.5

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 1 September 2003; Tenure 10 years, 10 months**

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of The Institute of Chartered Accountants in Australia 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 Australian Vintage Ltd (director since November 1991) and a director of EnergyOne Limited (since January 2007) and Reckon Limited (since August 2004). He was formerly the Chairman of InvoCare Limited (from March 2001 to October 2013).

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 a success. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

**Mr Gregory Goodman – Group Chief Executive Officer
Appointed 7 August 1998; Tenure 15 years, 10 months**

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

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

**Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and
Compliance Committee
Appointed 1 December 2011; Tenure 2 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 and develops and manages numerous waste-to-energy and waste water treatments 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 an independent non-executive director of the Hong Kong Stock Exchange listed Hysan Development Co Ltd, China Aircraft Leasing Group Holdings Limited, HKC Holdings Limited and First Pacific Company Limited. He is also a member of the Asian Advisory Committee of AustralianSuper.

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 Risk and
Compliance Committee
Appointed 23 February 2005; Tenure 9 years, 4 months**

John is a Fellow of The Institute of Chartered Accountants in Australia 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). He was formerly a director of Sinclair Knight Mertz Management Pty Limited (from 2010 to December 2013). John is Vice President of Northern Suburbs Rugby Football Club Limited, 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.

**Ms Anne Keating – Independent Director
Member of the Remuneration and Nomination Committee
and Risk and Compliance Committee
Appointed 23 February 2005; Tenure 9 years, 4 months**

Anne has 20 years of experience as a director of public companies. She is currently a director of Ardent Leisure Group (since March 1998), REVA Medical, Inc. (since October 2010), GI Dynamics, Inc. (since June 2011) and The Garvan Institute of Medical Research. Anne was formerly a director of ClearView Wealth Limited (November 2010 to October 2012) as well as Spencer Street Station Redevelopment Holdings Limited, Insurance Australia Group Limited and STW Limited.

Anne is also a Member of the Advisory Council C.I.M.B of Australia, 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
Member of the Remuneration and Nomination Committee
and Risk and Compliance Committee
Appointed 3 April 2012; Tenure 2 years, 2 months**

Rebecca is currently a non-executive director of CSR Limited (since February 2012), Incitec Pivot Limited (since September 2011) and OZ Minerals Limited (since November 2010). 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 Bachelor's Degree of Town Planning, a Masters of Applied Science (Project Management) and is a graduate of the Cambridge University Business and Environment Program. She is a Fellow of the Australian Institute of Company Directors.

Directors' report Continued

Mr Philip Pearce – Managing Director, Greater China Appointed 1 January 2013; Tenure 1 year, 6 months

Philip is responsible for the strategic development and continued expansion of the Consolidated Entity's industrial investment business in the Greater China region. He joined Goodman in 2002 and has over 16 years of experience in real estate investment in the Asia Pacific region, including four years in Singapore with Ascendas-MGM Funds Management Limited, the manager of Ascendas Real Estate Investment Trust. Prior to joining Goodman, he was at AMP Henderson Global Investors in Sydney where he worked in various roles within the AMP Henderson Property Group including valuation, asset management and fund management.

Philip is a director and/or representative of the Consolidated Entity's Greater China subsidiaries, management companies and funds. Philip holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

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

Danny has oversight of Goodman's European Logistics and Business Park operations and strategy and is responsible for the Consolidated Entity's investment in Brazil. Danny has been with Goodman since 2006 and has 17 years of experience in the property and logistics sectors. Danny is a director of the Consolidated Entity's fund management entities, subsidiaries and the joint ventures in Europe and Brazil.

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

Mr Phillip Pryke – Independent Director Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee Appointed 13 October 2010; Tenure 3 years, 8 months

Phillip is a director of Co-Investor Group and Tru-Test Corporation Limited and the Deputy Chairman and Lead Independent Director of New Zealand Exchange listed Contact Energy 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 Chairman of ASX listed Digital Performance Group Ltd (from January 2009 to August 2012).

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

Mr Anthony Rozic – Deputy Chief Executive Officer Appointed 1 January 2013; Tenure 1 year, 6 months

Anthony's responsibilities for Goodman include assisting in setting and managing strategy, business performance, corporate transactions and related operational projects with direct line management of Marketing, Information Technology (IT), Human Resources, Legal and Compliance. Anthony joined Goodman in 2004 and until February 2009, was Group Chief Financial Officer where his responsibilities also included financial reporting, management reporting, forecasting and budgeting, tax, and capital and financial risk management. Anthony is a qualified Chartered Accountant and has over 20 years of experience in the property industry, having previously held a number of senior roles in the property funds management industry and chartered accountancy profession.

Anthony is also a director of the Consolidated Entity's subsidiaries and was recently responsible for establishing the Consolidated Entity's investment into the United States.

Mr Jim Sloman, OAM – Independent Director Member of the Remuneration and Nomination Committee and Risk and Compliance Committee Appointed 1 February 2006; Tenure 8 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 ISIS 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.

Company Secretary

Mr Carl Bicego – Company Secretary Appointed 24 October 2006

Carl is the Company Secretary of the Company and its Australian controlled entities, as well as Legal Counsel – Head of Corporate in Australia. He has over 15 years of legal experience in corporate law and joined Goodman from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Events subsequent to balance date

In the opinion of the Directors, there were no events subsequent to balance date, and up to the date of signature of this Directors' report, that would require adjustment or disclosure in the consolidated financial report.

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2014 have been properly maintained and the financial report for the year ended 30 June 2014 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 42 and forms part of this Directors' report for the financial year.

Rounding

Goodman is an entity of a kind referred to in Australian Securities & Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in 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, 14 August 2014



Gregory Goodman
Group Chief Executive Officer

Lead auditor's independence declaration



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

To: The directors of Goodman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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

A handwritten signature in black ink, appearing to read 'John Teer'.

KPMG

A handwritten signature in black ink, appearing to read 'John Teer'.

John Teer
Partner

Sydney, 14 August 2014

Consolidated statement of financial position

as at 30 June 2014

		Consolidated	
	Note	2014 \$M	2013 \$M
Current assets			
Cash	23(a)	359.9	645.4
Receivables	8	354.8	338.7
Inventories	9(b)	121.1	156.8
Current tax receivables	6(c)	9.1	3.0
Other assets	10	15.1	33.4
Total current assets		860.0	1,177.3
Non-current assets			
Receivables	8	169.4	309.3
Inventories	9(b)	1,009.0	792.7
Other assets	10	0.4	21.1
Investment properties	9(b)	2,532.9	2,405.9
Investments accounted for using the equity method	9(b)	3,855.6	3,243.1
Deferred tax assets	6(d)	11.6	13.4
Other financial assets	11	13.1	15.7
Plant and equipment	12	19.2	20.8
Intangible assets	13	932.7	891.4
Total non-current assets		8,543.9	7,713.4
Total assets		9,403.9	8,890.7
Current liabilities			
Payables	14	266.2	271.0
Current tax payables	6(c)	48.4	39.0
Employee benefits	16	60.8	52.9
Provisions	17	182.7	81.2
Total current liabilities		558.1	444.1
Non-current liabilities			
Payables	14	412.3	314.4
Interest bearing liabilities	15	2,160.5	2,249.8
Deferred tax liabilities	6(d)	4.0	6.5
Employee benefits	16	29.3	28.7
Provisions	17	9.3	11.5
Total non-current liabilities		2,615.4	2,610.9
Total liabilities		3,173.5	3,055.0
Net assets		6,230.4	5,835.7
Equity attributable to Goodman Limited (GL)			
Issued capital	18	461.2	457.0
Reserves	19	(279.8)	(249.0)
Retained earnings	20	14.9	9.3
Total equity attributable to GL		196.3	217.3
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	18	6,774.1	6,741.7
Reserves	19	(1,133.5)	(1,468.6)
Accumulated losses	20	(720.9)	(679.8)
Total equity attributable to GIT		4,919.7	4,593.3
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	18	611.6	606.1
Reserves	19	82.8	63.1
Retained earnings	20	94.2	24.4
Total equity attributable to GLHK		788.6	693.6
Total equity attributable to Securityholders		5,904.6	5,504.2
Other non-controlling interests	21	325.8	331.5
Total equity		6,230.4	5,835.7

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

Consolidated income statement

for the year ended 30 June 2014

	Note	Consolidated	
		2014 \$M	2013 \$M
Revenue			
Gross property income		207.7	219.6
Management income		205.5	181.0
Development income	5	767.6	471.6
Distributions from investments		2.0	3.1
		1,182.8	875.3
Property and development expenses			
Property expenses		(60.1)	(59.7)
Development expenses	5	(579.8)	(311.4)
		(639.9)	(371.1)
Other income			
Net gain from fair value adjustments on investment properties	9(e)	48.6	28.0
Net gain on disposal of investment properties		1.0	12.9
Share of net results of equity accounted investments	5	445.2	228.8
Net gain/(loss) on disposal of equity investments	5	1.4	(0.1)
		496.2	269.6
Other expenses			
Employee expenses		(132.7)	(98.8)
Share based payments expense	5, 16(b)	(32.0)	(26.4)
Administrative and other expenses		(74.0)	(67.2)
Acquisition related costs		–	(3.3)
Impairment losses	5	(14.4)	(65.4)
Restructuring costs	5	–	(9.8)
		(253.1)	(270.9)
Profit before interest and tax		786.0	502.9
Net finance income/(expense)			
Finance income	5	21.8	10.3
Finance expense	5	(116.1)	(314.0)
Net finance expense		(94.3)	(303.7)
Profit before income tax		691.7	199.2
Income tax expense	6	(13.0)	(15.9)
Profit for the year		678.7	183.3
Profit attributable to GL	20	120.5	128.5
Profit attributable to GIT (non-controlling interests)	20	454.0	18.6
Profit attributable to GLHK (non-controlling interests)	20	82.8	13.9
Profit attributable to Securityholders		657.3	161.0
Profit attributable to other non-controlling interests		21.4	22.3
Profit for the year		678.7	183.3
Basic profit per Company share (¢)	3	7.0	7.7
Diluted profit per Company share (¢)	3	6.9	7.6

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

Consolidated statement of comprehensive income

for the year ended 30 June 2014

	Note	Consolidated	
		2014 \$M	2013 \$M
Profit for the year		678.7	183.3
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit superannuation funds	16(a), 19(e)	(1.9)	6.9
Effect of foreign currency translation	19(e)	(2.0)	(1.7)
		(3.9)	5.2
Items that may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	19(a)	(0.5)	(1.8)
Cash flow hedges:			
– Change in value of financial instruments	19(b)	0.8	8.3
– Transfers from cash flow hedge reserve	19(b)	2.4	8.1
Effect of foreign currency translation	19	119.9	270.4
Transfers to the income statement from foreign currency translation reserve	19(c)	–	(13.3)
		122.6	271.7
Other comprehensive income for the year, net of income tax		118.7	276.9
Total comprehensive income for the year		797.4	460.2
Total comprehensive income attributable to GL		46.0	132.5
Total comprehensive income attributable to GIT		642.7	218.9
Total comprehensive income attributable to GLHK		87.3	86.5
Total comprehensive income attributable to Securityholders		776.0	437.9
Other non-controlling interests		21.4	22.3
Total comprehensive income for the year		797.4	460.2

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

Consolidated statement of changes in equity

for the year ended 30 June 2014

Year ended 30 June 2013

Consolidated

	Note	Attributable to Securityholders			Total \$M	Other non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accum- lated losses \$M			
Balance at 1 July 2012		7,363.4	(2,373.0)	(134.6)	4,855.8	318.8	5,174.6
Total comprehensive income for the year							
Profit for the year	20	–	–	161.0	161.0	22.3	183.3
Other comprehensive income for the year, net of income tax		–	276.9	–	276.9	–	276.9
Total comprehensive income for the year, net of income tax		–	276.9	161.0	437.9	22.3	460.2
Transfers		–	420.7	(420.7)	–	–	–
Contributions by and distributions to owners							
– Issue of securities under an Institutional Placement	18	400.0	–	–	400.0	–	400.0
– Issue of securities under a Security Purchase Plan	18	49.1	–	–	49.1	–	49.1
– Issue costs due to stapled securities	18	(7.7)	–	–	(7.7)	–	(7.7)
– Transfers to accumulated losses on modification of Goodman PLUS Trust hybrid securities (Goodman PLUS)	21	–	–	(8.1)	(8.1)	8.1	–
– Distributions declared on stapled securities	7	–	–	(243.7)	(243.7)	–	(243.7)
– Distributions paid on Goodman PLUS	7	–	–	–	–	(16.7)	(16.7)
– Issue costs arising on modification of Goodman PLUS	21	–	–	–	–	(1.0)	(1.0)
– Equity settled share based payments expense recognised in the income statement	16(b)	–	20.9	–	20.9	–	20.9
Balance at 30 June 2013		7,804.8	(1,654.5)	(646.1)	5,504.2	331.5	5,835.7

Year ended 30 June 2014
Consolidated

	Note	Attributable to Securityholders			Total \$M	Other non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 2013		7,804.8	(1,654.5)	(646.1)	5,504.2	331.5	5,835.7
Total comprehensive income for the year							
Profit for the year	20	–	–	657.3	657.3	21.4	678.7
Other comprehensive income for the year, net of income tax		–	118.7	–	118.7	–	118.7
Total comprehensive income for the year, net of income tax		–	118.7	657.3	776.0	21.4	797.4
Transfers		–	177.6	(177.6)	–	–	–
Contributions by and distributions to owners							
– Distribution reinvestment plan	18	42.2	–	–	42.2	–	42.2
– Issue costs due to stapled securities	18	(0.1)	–	–	(0.1)	–	(0.1)
– Dividends/distributions declared on stapled securities	7	–	–	(445.4)	(445.4)	–	(445.4)
– Distributions paid on Goodman PLUS	7	–	–	–	–	(27.1)	(27.1)
– Equity settled share based payments expense recognised in the income statement	16(b)	–	27.7	–	27.7	–	27.7
Balance at 30 June 2014		7,846.9	(1,330.5)	(611.8)	5,904.6	325.8	6,230.4

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to shareholders of Goodman Limited, equity attributable to unitholders in Goodman Industrial Trust (non-controlling interests) and equity attributable to shareholders of Goodman Logistics (HK) Limited (non-controlling interests), refer to notes 18, 19 and 20.

Consolidated cash flow statement

for the year ended 30 June 2014

	Note	Consolidated	
		2014 \$M	2013 \$M
Cash flows from operating activities			
Property income received		218.4	222.5
Cash receipts from development activities		902.4	738.1
Other cash receipts from services provided		229.1	181.4
Property expenses paid		(65.5)	(73.4)
Payments for development activities		(855.5)	(671.5)
Other cash payments in the course of operations		(239.3)	(181.0)
Dividends/distributions received from equity accounted investments		248.0	169.3
Interest received		14.9	7.1
Finance costs paid		(43.2)	(29.9)
Net income taxes paid		(4.9)	(6.5)
Net cash provided by operating activities	23(b)	404.4	356.1
Cash flows from investing activities			
Proceeds from disposal of investment properties		15.6	282.7
Proceeds from disposal of equity investments		279.3	429.7
Payments for controlled entities, net of cash acquired		(0.6)	(17.6)
Payments for intangible assets		–	(4.9)
Payments for equity investments		(456.7)	(484.3)
Payments for investment properties		(63.3)	(54.3)
Payments for plant and equipment		(2.8)	(4.9)
Net cash (used in)/provided by investing activities		(228.5)	146.4
Cash flows from financing activities			
Proceeds from issue of ordinary securities		–	449.1
Issue costs due to stapled securities		(0.1)	(7.7)
Issue costs arising on modification of Goodman PLUS		–	(1.0)
Net cash flows from loans to related parties		(19.2)	(22.2)
Proceeds from borrowings		422.1	945.6
Repayments of borrowings		(535.2)	(1,204.3)
Dividends/distributions paid	7	(329.0)	(327.4)
Net cash used in financing activities		(461.4)	(167.9)
Net (decrease)/increase in cash held		(285.5)	334.6
Cash at the beginning of the year		645.4	310.8
Cash at the end of the year	23(a)	359.9	645.4

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

Non-cash transactions are included in note 23(c).

Notes to the consolidated financial statements

1 Statement of significant accounting policies

Goodman Limited (Company or Parent Entity) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2014 comprises the Company and its controlled entities (together Goodman or Consolidated Entity) and Goodman's interests in associates and joint ventures.

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 14 August 2014.

The significant accounting policies which have been adopted in the preparation of the consolidated financial report are set out below:

(a) Basis of preparation of the consolidated financial report

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

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

(b) Principles of consolidation

Accounting for the acquisition of control of Goodman Industrial Trust

The stapling of the Company and Goodman Industrial Trust (GIT) was approved at separate meetings of the respective Shareholders and Unitholders on 25 January 2005. Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the merger of the Company and GIT, the Company is identified as having acquired control over the assets of GIT. To recognise the in-substance acquisition, the following accounting principles have been applied:

- + no goodwill is recognised on acquisition of GIT because no direct ownership interest was acquired by the Company in GIT;
- + the equity issued by the Company to Unitholders to give effect to the transaction is recognised at the dollar value of the consideration payable by the Unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purpose of the Company acquiring an ownership interest in GIT; and
- + the issued units of GIT are not owned by the Company and are presented as non-controlling interests in the Consolidated Entity notwithstanding that the Unitholders are also the Shareholders by virtue of the stapling arrangement.

Internal restructure and stapling of Goodman Logistics (Hong Kong) Limited

On 22 August 2012, Goodman completed the implementation of the internal restructure of the Consolidated Entity to add Goodman Logistics (HK) Limited (GLHK) to the existing Goodman Group stapled entities. Securityholders with a Goodman stapled security now hold a CHESSE Depository Interest (CDI) over an ordinary share in GLHK, stapled to an ordinary share in the Company and a unit in GIT.

The issued shares of GLHK are also not owned by the Company and are presented as non-controlling interests. Accordingly, the equity in the net assets of both GIT and GLHK has been separately identified in the statement of financial position and the profit or loss arising from those net assets has been separately identified in the income statement.

The shares in the Company, units in GIT and CDIs over the ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX).

Business combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control has passed from one party to another.

Measuring goodwill

The Consolidated Entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquiree, and equity interests issued by the Consolidated Entity. Consideration transferred also includes the fair value of any contingent consideration and share based payment awards of the acquiree that are replaced mandatorily in the business combination.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(b) Principles of consolidation continued

Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interests

The Consolidated Entity measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Consolidated Entity incurs in connection with a business combination, such as legal fees, due diligence fees and other statutory, professional and consulting fees, are expensed as incurred.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

Controlled entities

Controlled entities are entities controlled by the Company. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 30 June 2014 and the results of all such entities for the year ended 30 June 2014.

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

Associates

Associates are those entities 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.

Joint ventures

A joint venture (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 joint ventures 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 and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full 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.

(c) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Australian dollars at foreign exchange rates applicable 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 until the disposal or partial disposal of the operations.

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

1 Statement of significant accounting policies continued

(c) Foreign currency translation continued

Exchange rates used

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

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2014	2013	2014	2013
New Zealand dollars (NZD)	1.1064	1.2496	1.0772	1.1871
Hong Kong dollars (HKD)	7.1215	7.9670	7.3034	7.0739
Chinese yuan (CNY)	5.6362	6.4169	5.8461	5.5989
Japanese yen (JPY)	92.7775	89.8402	95.4520	91.6400
Euros (EUR)	0.6770	0.7949	0.6883	0.7095
British pounds sterling (GBP)	0.5652	0.6550	0.5511	0.6072
United States dollars (USD)	0.9183	1.0273	0.9424	0.9275
Brazilian real (BRL)	2.1008	2.0923	2.0820	2.0250

Hedges of net investments in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in the foreign currency translation reserve. The ineffective portion is recognised immediately in profit or loss.

(d) Segment reporting

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.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group Chief Executive Officer include items that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Unallocated items include fair value adjustments and impairments, interest and tax expense, interest bearing receivables and payables, derivative financial instruments, provisions for distributions to Securityholders, provisions for distributions on hybrid securities, corporate assets, head office expenses and income tax assets and liabilities.

(e) Earnings per Company share/security

The Consolidated Entity presents basic and diluted earnings per Company share on the face of the income statement. Basic earnings per Company share is calculated by dividing the profit or loss attributable to the Shareholders by the weighted average number of Company shares outstanding during the period. Diluted earnings per Company share is determined by adjusting the profit or loss attributable to the Shareholders and weighted average number of Company shares outstanding for all dilutive potential Company shares, which comprise performance rights issued under the Long Term Incentive Plan (LTIP) and securities contingently issuable on conversion of hybrid securities.

As stated in note 1(b), the issued units of GIT and the CDIs over the ordinary shares of GLHK are presented as non-controlling interests, and therefore the profit attributable to GIT and GLHK is excluded from the calculation of basic and diluted earnings per Company share presented on the face of the income statement. Therefore, the Directors also disclose basic and diluted earnings per stapled security in note 3.

(f) Investment properties and gross property income

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at their fair value.

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 properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Taxation allowances for building, plant and equipment depreciation are claimed by trusts within the Consolidated Entity and are declared as tax deferred components of distributions.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, if applicable. Where a contract of purchase includes a deferred payment arrangement, the acquisition value is determined as the cash consideration payable in the future, discounted to present value at the date of acquisition. Costs of development include the costs of all materials used in construction, costs of managing the project, holding costs and borrowing costs incurred during the development period.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. The amortisation is applied to reduce gross property income.

Expenditure on direct leasing and tenancy costs is deferred and included within investment property values. Direct leasing and tenancy costs are amortised over the term of the lease in proportion to the rental income recognised in each financial year.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(f) Investment properties and gross property income continued

Stabilised investment properties

Stabilised investment properties are completed investment properties that are capable of earning rental income. An independent valuation of stabilised investment properties is obtained at least every three years to use as a basis for measuring the fair value of the properties. The independent registered valuers determine the market value based on market evidence and assuming a willing, but not anxious, buyer and seller, a reasonable period to sell the property, and the property being reasonably exposed to the market.

At each balance date occurring between obtaining independent valuations, the Directors review the carrying value of the Consolidated Entity's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties reflects the fair value of the investment properties at that date. Changes in fair value are recognised directly in the income statement. The net of unrealised revaluations from investment properties is transferred to the asset revaluation reserve from accumulated losses/retained earnings.

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.

Investment properties under development

Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Property under development for future use as an investment property is measured at fair value.

Deposits for investment properties

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

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.

(g) Management income

Fee income derived from fund management and property services is recognised progressively as the services are provided. Any performance related fund management income is recognised on attainment of the performance related conditions.

(h) Development activities

Development income

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

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

Certain development management arrangements are assessed as being fixed price construction contracts rather than a rendering of services. Revenue and expenses relating to construction contracts are recognised in the income statement in proportion to the stage of completion of the relevant contracts. The stage of completion is assessed by reference to costs incurred to date as a percentage of estimated total costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

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.

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.

Construction contract receivables

Construction contract receivables, which are presented in receivables in the statement of financial position, are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred, relating to the Consolidated Entity's construction contract activities based on normal operating activity.

1 Statement of significant accounting policies continued

(i) Employee benefits

Wages, salaries and annual leave

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

Long-term service benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior financial year. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted to reflect the estimated timing of benefit payments.

Defined contribution superannuation funds

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

Defined benefit superannuation funds

A liability or asset in respect of a defined benefit superannuation fund is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation at the balance date less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the balance date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the balance date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to equity.

Share based payment transactions

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

(j) Finance income and expenses

Finance income

Interest is recognised on an accruals basis using the 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 yield basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs.

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

(k) Dividends and distributions

Dividend income is recognised when a dividend has been declared and, if not received at balance date, is reflected in the statement of financial position as a receivable. Dividends are recognised net of any franking credits.

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

(l) Intangible assets

All business combinations are accounted for by applying the acquisition method (refer to note 1(b)). The Consolidated Entity measures goodwill arising on a business combination as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses (refer to note 1(p)). No amortisation is provided. Goodwill is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the reporting unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

In respect of associates and JVs, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss that might arise forms part of this carrying amount.

Management rights

As distinct from goodwill, management rights acquired as part of a business combination are recognised if the asset is separable or arises from contractual or other legal rights, and its fair value can be measured reliably. Management rights, including indefinite life contracts to manage assets, are carried at cost less accumulated amortisation and impairment losses. Where management rights are for an indefinite term or where renewal of rights is routinely renewed at minimal cost, no amortisation is provided but the rights are subject to an annual impairment test (refer to note 1(p)). Where management rights are for a finite period, they are amortised on a straight-line basis over that term.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(m) Plant and equipment

Leasehold improvements and items of plant and equipment are initially recorded at cost and depreciated using the straight-line method over their estimated useful lives to the Consolidated Entity. The estimated useful lives used for each class of asset are as follows:

Plant and equipment	Useful lives
Leasehold improvements	4–10 years
Plant and equipment	2–5 years

Refer also to note 1(n) in respect of leased plant and equipment.

(n) Leased assets

Leases under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments

Payments made under operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense and are spread over the term of the lease.

(o) Assets and liabilities classified as held for sale

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Consolidated Entity's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount, and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(p) Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except investment properties, refer to note 1(f); inventories, refer to note 1(h); and deferred tax assets, refer to note 1(r)) are reviewed at each balance date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the income statement in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the goodwill allocated to cash-generating units (group of units), then to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets

A financial asset is assessed at each balance date to determine whether there is any indication of impairment. If such indication exists, the financial asset is written down to the present value of the estimated future cash flows discounted at the original effective interest rate, or in the case of an available for sale financial asset, to its fair value. The impairment is recognised in profit or loss in the reporting period in which it occurs.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses, other than those referred to above, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows are discounted to their present value.

1 Statement of significant accounting policies continued

(q) Provisions

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

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

Dividends/distributions payable

Provisions for dividends from either the Company or GLHK are recognised in the financial year in which the dividend is declared.

Provisions for distributions by GIT are recognised in the reporting period in which the distributable income arises for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Consolidated Entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Consolidated Entity recognises any impairment loss on the assets associated with that contract.

Rental guarantees

A provision for rental guarantees is recognised when it is expected that the Consolidated Entity will be obliged to make payments in the future to meet rental income targets guaranteed to third parties under the terms of asset disposal contracts. The provision is measured at the present value of the estimated future payments.

(r) Taxation

Income tax

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

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

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

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

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

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

GIT

Under current Australian income tax legislation, GIT is not liable for income tax, including capital gains tax, provided that Securityholders are presently entitled to the distributable income of GIT as calculated for trust law purposes. Tax allowances for building and plant and equipment depreciation are distributed to Securityholders in the form of tax deferred components of distributions. Any taxable capital gains are distributed.

(s) Financial instruments

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(s) Financial instruments continued

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 1(p)), are recognised in other comprehensive income and presented in the asset revaluation reserve in equity. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available for sale financial assets comprise investments in equity securities (other financial assets).

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

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

The Consolidated Entity classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise interest bearing liabilities, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Issued capital

Ordinary shares

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

Hybrid securities

Goodman has issued hybrid securities that meet the definition of equity for the purpose of the Consolidated Entity. Accordingly, these hybrid securities have been classified as equity and presented as other non-controlling interests. Incremental costs directly attributable to the issue of hybrid securities are recognised as a deduction from equity, net of any tax effects.

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.

Effective 1 July 2009, the Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments have movements in their fair value recognised in the income statement.

Prior to 30 June 2009, the Consolidated Entity designated derivative financial instruments as a hedge of an anticipated interest transaction only when they would be expected to reduce exposure to the risks being hedged, and were designated prospectively so that it was clear when an anticipated transaction had or had not occurred; and it was probable the anticipated transaction would occur as designated. Certain of the Consolidated Entity's investments in associates continue to designate interest rate swaps as a cash flow hedge for accounting purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that were previously designated and qualified as cash flow hedges are recognised in the cash flow hedge reserve. This also applies to the Consolidated Entity's share of the effective portion of changes in the fair value of derivatives in associates. The gain or loss relating to any ineffective portion is recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve is recognised in the income statement.

(t) Parent Entity financial information

The financial information for the Parent Entity, Goodman Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities, associates and JVs

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

Tax consolidation

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

The tax consolidated group has entered into a tax funding arrangement that requires wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities arising from external transactions during the financial year. Under the tax funding arrangements, the contributions are calculated on a "stand-alone" basis so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries within the tax consolidated group. The timing of contributions reflects the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding arrangement are recognised as inter-company assets and liabilities with a consequential adjustment to income tax expense/revenue.

1 Statement of significant accounting policies continued

(t) Parent Entity financial information continued

Financial guarantees

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

(u) 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. Of these, the following are relevant to the Consolidated Entity's financial statements:

- + AASB 10 *Consolidated Financial Statements*;
- + AASB 11 *Joint Arrangements*;
- + AASB 12 *Disclosure of Interests in Other Entities*;
- + AASB 13 *Fair Value Measurement*;
- + AASB 119 *Employee Benefits*; and
- + AASB 136 *Impairment of Assets*.

AASB 10 Consolidated Financial Statements

AASB 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The Consolidated Entity has assessed the impact of the new accounting standard on its principal equity accounted investments and concluded the adoption does not change any of the control conclusions reached by the Consolidated Entity in respect of its involvement with other entities as at 1 July 2013.

AASB 11 Joint Arrangements

AASB 11 includes new requirements for the classification and disclosures of joint ventures. As a result of AASB 11, the Consolidated Entity has classified its interests in joint venture arrangements as either joint operations (if the Consolidated Entity has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Consolidated Entity has rights only to the net assets of an arrangement). When making this assessment, the Consolidated Entity considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Consolidated Entity has assessed its involvement in its joint venture arrangements and has determined that all the investments previously classified as joint venture entities in the prior year financial statements are now classified as joint ventures under the new accounting standard. The investments continue to be recognised by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Consolidated Entity.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, associates and unconsolidated structured entities. The disclosures are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in note 9.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of fair value measurement guidance. AASB 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial assets and liabilities. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in notes 9 and 26. The adoption of AASB 13 does not have any material impact on the fair value measurements of the Consolidated Entity's assets and liabilities.

AASB 119 Employee Benefits

AASB 119 prescribes the accounting and disclosure for employee benefits. The disclosures are generally more extensive than those previously required. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in note 16.

AASB 136 Impairment of Assets

AASB 136 prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An amendment to the accounting standard has changed the definition of recoverable amount of an asset or cash-generating unit to the higher of its fair value less costs of disposal, and its value in use. As a result of this amendment there has been no impact on the recognised assets, liabilities and comprehensive income of the Consolidated Entity.

(v) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, revisions to AASB 9 Financial Instruments were available for early adoption but have not been applied in preparing these financial statements. The revisions include requirements for the classification and measurement of financial assets and replace AASB 139 Financial Instruments: Recognition and Measurement. The revised AASB 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2018 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard.

(w) Rounding

In accordance with Australian Securities & Investments Commission Class Order 98/100 dated 10 July 1998, the amounts shown in the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Notes to the consolidated financial statements

Continued

2 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 9 – Property assets;
- + Note 13 – Intangible assets;
- + Note 16 – Employee benefits; and
- + Note 26 – 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 9 – Property assets;
- + Note 16 – Employee benefits; and
- + Note 26 – Financial risk management.

3 Profit per Company share/per security

	Note	2014 ¢	2013 ¢
Profit per Company share			
Basic profit per Company share	3(a)	7.0	7.7
Diluted profit per Company share	3(a)	6.9	7.6
Profit per security			
Basic profit per security	3(a)	38.2	9.6
Diluted profit per security	3(a)	37.5	9.5
Dividends/distributions per security	3(b)	20.7	19.4

(a) Basic and diluted profit per Company share/per security

	Note	2014 \$M	2013 \$M
Profit per Company share			
Profit after tax used in calculating basic and diluted profit per Company share	20	120.5	128.5
Profit per security			
Profit after tax used in calculating basic and diluted profit per security	20	657.3	161.0

Weighted average number of securities

	2014 Number of securities	2013 Number of securities
Weighted average number of securities used in calculating basic profit per security and distribution per security	1,720,979,521	1,671,762,508
Effect of performance rights on issue	30,634,950	26,906,101
Weighted average number of securities used in calculating diluted profit per security	1,751,614,471	1,698,668,609

As at 30 June 2014, the securities contingently issuable on conversion of Goodman PLUS are potentially dilutive in future periods.

(b) Dividends per Company share and distributions per security

Dividends and distributions used in calculating the dividends/distributions per security includes those dividends and distributions that relate to the current year's performance. On 15 August 2013, the Company declared a fully franked dividend of 5.2 cents per share amounting to \$88.7 million relating to performance in the prior financial year, which was paid on 26 August 2013.

Total distributions for the financial year declared by GIT were 20.7 cents per security (2013: 14.2 cents per security). Details of the dates of payment are set out in note 7.

No dividends were declared or paid by GLHK during the financial year (2013: \$nil).

4 Segment reporting

The Consolidated Entity is based in Australia and has separately managed divisions in Asia Pacific (primarily Australia, New Zealand, Hong Kong, China and Japan), Europe (Continental Europe and the United Kingdom) and the Americas (North America and Brazil).

The activities and services undertaken by the divisions include:

- + direct and indirect ownership of investment properties;
- + development; and
- + fund management and property services.

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

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Income statement												
External revenues												
Gross property income	175.4	188.7	3.3	2.9	11.2	6.6	17.8	21.4	–	–	207.7	219.6
Management income	85.2	72.5	60.9	54.9	36.2	28.3	23.2	25.3	–	–	205.5	181.0
Development income	232.1	100.1	42.3	150.3	362.4	83.2	125.3	40.6	5.5	97.4	767.6	471.6
Distributions from investments	–	–	–	–	2.0	1.9	–	1.2	–	–	2.0	3.1
Total external revenues	492.7	361.3	106.5	208.1	411.8	120.0	166.3	88.5	5.5	97.4	1,182.8	875.3
Reportable segment profit/(loss) before tax	382.6	372.0	146.8	144.2	111.5	91.5	103.5	74.5	3.9	(6.1)	748.3	676.1
Share of net results of equity accounted investments:												
Operating results (excluding fair value adjustments)	149.8	146.4	65.6	29.1	35.8	32.9	58.7	35.7	7.6	–	317.5	244.1
Fair value adjustments – not included in reportable segment profit/(loss)	67.7	14.8	61.7	47.3	(2.8)	(11.4)	1.1	(66.0)	–	–	127.7	(15.3)
Other material non-cash items not included in reportable segment profit/(loss) before tax:												
Net gain/(loss) from fair value adjustments on investment properties	62.2	34.7	–	–	–	(6.7)	(13.6)	–	–	–	48.6	28.0
Impairment losses	(5.7)	(22.5)	–	–	(8.7)	(5.0)	–	(37.9)	–	–	(14.4)	(65.4)
Statement of financial position												
Reportable segment assets	4,458.4	4,041.1	1,327.1	1,121.8	1,472.8	1,644.9	1,524.0	1,377.0	271.9	166.3	9,054.2	8,351.1
Non-current assets	4,313.3	3,968.2	1,085.0	928.7	1,371.0	1,349.5	1,381.2	1,168.7	270.5	160.6	8,421.0	7,575.7
Included in reportable segment assets are:												
Investment properties	2,210.5	2,101.2	–	–	87.7	82.4	234.7	222.3	–	–	2,532.9	2,405.9
Investments accounted for using the equity method	1,909.9	1,657.5	798.0	569.7	476.9	522.0	406.8	338.3	264.0	155.6	3,855.6	3,243.1
Reportable segment liabilities	141.3	93.9	52.7	66.1	62.4	80.0	50.5	41.4	50.2	36.8	357.1	318.2

Notes to the consolidated financial statements

Continued

4 Segment reporting continued

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

	2014 \$M	2013 \$M
Revenues		
Total revenue for reportable segments	1,182.8	875.3
Consolidated revenues	1,182.8	875.3
Profit or loss		
Total profit before tax for reportable segments	748.3	676.1
Corporate expenses not allocated to reportable segments	(86.4)	(67.1)
Operating profit before interest and tax	661.9	609.0
Valuation and other adjustments not included in reportable segment profit before tax:		
– Net gain from fair value adjustments on investment properties	48.6	28.0
– Impairment losses	(14.4)	(65.4)
– Fair value adjustments relating to associates and JVs	127.7	(15.3)
– Share based payments expense	(32.0)	(26.4)
– Capital (losses)/profits not distributed	(1.3)	0.4
– Straight lining of rent	(4.5)	1.3
– Transaction related costs for strategic initiatives	–	(18.9)
– Restructuring costs	–	(9.8)
Profit before interest and tax	786.0	502.9
Net finance expense – refer to note 5	(94.3)	(303.7)
Consolidated profit before income tax	691.7	199.2
Assets		
Assets for reportable segments	9,054.2	8,351.1
Other unallocated amounts	349.7	539.6
Consolidated total assets	9,403.9	8,890.7
Liabilities		
Liabilities for reportable segments	357.1	318.2
Interest bearing liabilities	2,160.5	2,249.8
Provisions for distributions to Securityholders	178.8	77.5
Other unallocated amounts	477.1	409.5
Consolidated total liabilities	3,173.5	3,055.0

5 Profit before income tax

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

	Consolidated	
	2014 \$M	2013 \$M
Development activities		
Income from disposal of inventories	200.4	259.5
Net gain on disposal of special purpose development entities	21.4	12.1
Other development income	545.8	200.0
Development income	767.6	471.6
Inventory cost of sales	(167.4)	(253.5)
Other development expenses	(412.4)	(57.9)
Development expenses	(579.8)	(311.4)
Equity accounted investments		
Share of net results of investments in associates – refer to note 9(f)(i)		
– Operating results after tax (before revaluations)	236.9	220.2
– Fair value adjustments attributable to investment properties	121.6	5.7
– Fair value adjustments on derivative financial instruments	(8.1)	(19.1)
Share of net results of investments in JVs – refer to note 9(f)(ii)		
– Operating results after tax (before revaluations)	80.6	23.9
– Fair value adjustments attributable to investment properties	16.6	(1.7)
– Fair value adjustments on derivative financial instruments	(2.4)	(0.2)
Share of net results of equity accounted investments	445.2	228.8
Disposal of equity investments		
Net consideration from disposal of equity investments	276.7	537.5
Carrying value of equity investments disposed	(275.5)	(536.7)
Gain/(loss) on dilution of investment in associate – refer to note 9(f)(i)	0.2	(0.9)
Net gain/(loss) on disposal of equity investments	1.4	(0.1)
Share based payments		
Equity settled share based payments expense	(27.7)	(20.9)
Cash settled share based payments expense	(2.6)	(5.0)
Other share based payments related costs	(1.7)	(0.5)
Share based payments expense	(32.0)	(26.4)
Amortisation and depreciation		
Amortisation of leasehold improvements	(0.5)	(0.6)
Depreciation of plant and equipment	(5.7)	(5.4)
Amortisation and depreciation	(6.2)	(6.0)
Impairment losses		
Impairment of receivables	(4.0)	(15.2)
Impairment of inventories	(5.1)	(45.4)
Impairment of equity accounted investments – refer to note 9(f)(ii)	(0.1)	(2.8)
Impairment of other financial assets	(5.2)	(2.0)
Impairment losses	(14.4)	(65.4)
Restructuring costs		
Employee expenses	–	(5.0)
Administrative and other expenses	–	(4.8)
Total restructuring costs	–	(9.8)

Restructuring costs

During the prior year, the Consolidated Entity restructured its operations in Europe. The restructuring costs related to redundancy and provisions for exiting certain premises and other onerous contracts.

Notes to the consolidated financial statements

Continued

5 Profit before income tax continued

Net finance expense

	Consolidated	
	2014	2013
	\$M	\$M
Finance income		
Interest income from:		
– Related parties	2.7	5.9
– Other parties	5.1	4.4
Foreign exchange gain ¹	14.0	–
	21.8	10.3
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(105.1)	(117.6)
Other borrowing costs	(20.4)	(15.8)
Unwind of discount on deferred consideration	–	(0.9)
Fair value adjustments on derivative financial instruments ²	(82.3)	(207.5)
Foreign exchange loss ¹	–	(65.3)
Capitalised borrowing costs ³	91.7	93.1
	(116.1)	(314.0)
Net finance expense	(94.3)	(303.7)

1. Includes foreign exchange gain of \$14.4 million (2013: loss of \$65.3 million) relating to unrealised gains/(losses) on translation of the United States senior notes (refer to note 15(c)) and the Japanese yen denominated private placement (refer to note 15(d)).

2. Includes both the fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted (refer to note 19(b)). The remaining balance included in the cash flow hedge reserve that relates to derivative contracts that were previously hedge accounted will be amortised over future periods.

3. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 3.1% and 7.6% per annum (2013: 3.0% and 8.4% per annum).

6 Income tax expense

	Consolidated	
	2014	2013
	\$M	\$M
Current tax expense recognised in the income statement		
Current year	(15.1)	(18.1)
Adjustment for current tax in prior periods	1.2	6.0
	(13.9)	(12.1)
Deferred tax benefit/(expense) recognised in the income statement		
Origination and reversal of temporary differences	0.9	(3.8)
	0.9	(3.8)
Total income tax expense	(13.0)	(15.9)

	Consolidated	
	2014	2013
	\$M	\$M
(a) Income tax expense		
Profit before income tax	691.7	199.2
Prima facie income tax expense calculated at 30% (2013: 30%) on the profit before income tax	(207.5)	(59.8)
Decrease/(increase) in income tax due to:		
– Profit attributable to Unitholders	151.5	51.3
– Current year losses for which no deferred tax asset was recognised	(24.6)	(22.3)
– Non-(deductible)/assessable impairment losses and fair value movements	4.5	(6.8)
– Non-assessable amounts from share of results of equity accounted investments	22.0	5.4
– Non-deductible share based payment expense	(9.7)	(7.8)
– Other non-assessable/(deductible) items	14.9	(8.9)
– Utilisation of previously unrecognised tax losses	27.1	18.7
– Difference in overseas tax rates	0.6	(2.0)
– Adjustment for current tax in prior periods	1.2	6.0
– Other items	7.0	10.3
Income tax expense	(13.0)	(15.9)
(b) Deferred tax benefit recognised directly in equity		
Defined benefits superannuation funds	(0.7)	2.8
	(0.7)	2.8

6 Income tax expense continued

	Consolidated	
	2014 \$M	2013 \$M
(c) Net income tax payable		
Net balance at the beginning of the year	(36.0)	(29.8)
Decrease/(increase) in current net tax payable due to:		
– Net income taxes paid	4.9	6.5
– Current tax expense	(13.9)	(12.1)
– Other	5.7	(0.6)
Net balance at the end of the year	(39.3)	(36.0)
Current tax receivables	9.1	3.0
Current tax payables	(48.4)	(39.0)
	(39.3)	(36.0)

(d) Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Consolidated						
Receivables	–	–	(4.0)	(6.4)	(4.0)	(6.4)
Tax losses	3.7	3.2	–	–	3.7	3.2
Payables	0.8	1.7	–	–	0.8	1.7
Provisions	6.4	7.3	–	–	6.4	7.3
Other items	0.7	1.2	–	(0.1)	0.7	1.1
Tax assets/(liabilities)	11.6	13.4	(4.0)	(6.5)	7.6	6.9

Deferred tax assets of \$199.1 million in relation to tax losses have not been recognised by the Consolidated Entity at 30 June 2014 (2013: \$178.0 million).

7 Dividends and distributions

(a) Dividends declared by the Company

On 15 August 2013, the Company declared a fully franked dividend of 5.2 cents per share amounting to \$88.7 million relating to performance in the prior financial year. The dividend was paid on 26 August 2013.

Dividend franking account

	Goodman Limited	
	2014 \$M	2013 \$M
30% franking credits available to Shareholders for subsequent financial years	–	38.0

The franking credits were fully utilised during the current financial year on payment of the dividend.

(b) Distributions declared and paid by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the current financial year			
– 31 Dec 2013	10.35	177.9	21 Feb 2014
– 30 Jun 2014	10.35	178.8	26 Aug 2014
	20.70	356.7	
Distributions for the prior financial year			
– 31 Dec 2012	9.70	166.2	28 Feb 2013
– 30 Jun 2013	4.50	77.5	26 Aug 2013
	14.20	243.7	

Movement in provision for distributions to Securityholders

	Consolidated	
	2014 \$M	2013 \$M
Balance at the beginning of the year	77.5	144.5
Provisions for distributions	356.7	243.7
Distributions paid	(213.2)	(310.7)
Distribution reinvestment plan	(42.2)	–
Balance at the end of the year	178.8	77.5

Notes to the consolidated financial statements

Continued

7 Dividends and distributions continued

(c) Dividends declared by Goodman Logistics (HK) Limited

No dividends were declared or paid by Goodman Logistics (HK) Limited during the financial year ended 30 June 2014 or up to the date of this report (2013: \$nil).

(d) Distributions declared and paid by Goodman PLUS Trust

Goodman PLUS Trust, a controlled entity of GIT, has hybrid securities on issue which meet the definition of equity (refer to note 21).

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the current financial year			
– 30 Sep 2013	169.1	5.5	30 Sep 2013
– 31 Dec 2013	162.7	5.3	31 Dec 2013
– 31 Mar 2014	160.4	5.3	31 Mar 2014
– 30 Jun 2014	163.4	5.3	30 Jun 2014
	655.6	21.4	
Distributions for the prior financial year¹			
– 21 Sep 2012	136.7	4.4	21 Sep 2012
– 31 Dec 2012	201.6	6.6	31 Dec 2012
– 31 Mar 2013	170.4	5.6	2 Apr 2013
– 30 Jun 2013	173.3	5.7	1 Jul 2013
	682.0	22.3	

1. In the prior financial year, the holders of Goodman PLUS approved certain amendments to the terms of the hybrid securities (refer to note 21). These amendments included a change to the quarterly distribution dates to 31 December, 31 March, 30 June and 30 September. This change applied after the distribution on 21 September 2012.

8 Receivables

	Consolidated	
	2014 \$M	2013 \$M
Current		
Trade receivables	54.1	21.7
Other receivables	81.8	127.1
Construction contract receivables	92.5	137.5
Amounts due from related parties	126.3	52.4
Derivative financial instruments	0.1	–
	354.8	338.7
Non-current		
Loans to related parties	31.9	157.1
Other receivables	34.3	31.6
Derivative financial instruments ¹	103.2	120.6
	169.4	309.3

1. Includes fair values of cross currency interest rate swaps amounting to \$46.3 million (2013: \$94.2 million) entered into to hedge the United States senior notes (refer to note 15(c)).

The maximum exposure to credit risk at the balance date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the balance date. 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), excluding derivative financial instruments, denominated in currencies other than Australian dollars are as follows:

Amounts in A\$M	NZD	USD	JPY	EUR	GBP	HKD
2014	78.1	129.9	4.4	115.3	46.7	7.3
2013	35.7	150.5	4.1	210.1	70.2	4.7

8 Receivables continued

Trade receivables

At 30 June 2014, trade receivables of \$0.2 million (2013: \$0.9 million) have been impaired. The ageing analysis of trade receivables (before impairment) is as follows:

	Consolidated	
	2014 \$M	2013 \$M
Overdue by:		
Up to 1 month	5.0	5.4
1 month to 4 month(s)	1.7	2.1
Greater than 4 months	2.6	0.9
	9.3	8.4

The Consolidated Entity holds bank guarantees and security deposits of \$1.1 million (2013: \$1.2 million) in respect of its overdue trade receivables from investment property customers.

Other receivables

At 30 June 2014, there was no allowance for impairment of other receivables (2013: \$nil).

Construction contract receivables

	Consolidated	
	2014 \$M	2013 \$M
Net contract debtors excluding retentions	227.0	186.0
Retentions	–	–
Net contract debtors	227.0	186.0
Cash received to date	(134.5)	(48.5)
Effect of foreign currency translation	–	–
Total progressive value	92.5	137.5
Amounts due from customers – contract debtors	92.5	137.5
Amounts due from customers – trade debtors	–	–
Construction contract receivables	92.5	137.5

Amounts due from related parties

At 30 June 2014, cumulative impairments of \$6.7 million (2013: \$1.8 million) have been recorded against amounts due from related parties. The ageing analysis of these amounts due from related parties is as follows:

	Consolidated	
	2014 \$M	2013 \$M
Overdue by:		
Up to 1 month	2.1	2.3
1 month to 4 month(s)	0.1	0.4
Greater than 4 months	6.1	5.1
	8.3	7.8

Loans to related parties

Details of loans to related parties are set out in note 25. At 30 June 2014, cumulative impairments of \$15.8 million (2013: \$14.4 million) have been recorded against related party loans. These impairments were a result of devaluations in the properties funded by the loans.

Notes to the consolidated financial statements

Continued

9 Property assets

(a) Types of property assets

Goodman's investment in property assets includes both investment properties (held for capital appreciation and gross property income) and inventories (held for development and sale), which may be held either directly or through its investments in managed funds (both associates and JVs).

Investment properties are carried at fair value and inventories are carried at the lower of cost or net realisable value. The calculation of both fair value and 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of investment properties and inventories (both directly held and in managed funds) are set out below.

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

		Consolidated	
	Note	2014 \$M	2013 \$M
Inventories			
Current	9(d)	121.1	156.8
Non-current	9(d)	1,009.0	792.7
		1,130.1	949.5
Investment properties			
Stabilised investment properties	9(e)	2,190.7	2,090.4
Investment properties under development	9(e)	342.2	315.5
		2,532.9	2,405.9
Investments accounted for using the equity method			
Associates	9(f)(i)	2,851.1	2,688.0
JVs	9(f)(ii)	1,004.5	555.1
		3,855.6	3,243.1
Total property assets		7,518.6	6,598.5

(c) Estimates and assumptions in determining property carrying values

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business.

For both inventories held directly and inventories held in managed funds, 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 managed funds.

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

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

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

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

9 Property assets continued

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

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

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

Market assessment

At 30 June 2014, all markets in which Goodman operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. The overall weighted average capitalisation rates for the divisional portfolios (including managed funds) are as set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2014 %	2013 %
Australia	7.7	8.0
New Zealand	7.9	8.1
Hong Kong	6.0	6.4
China	8.4	8.7
Japan	5.4	5.5
Logistics – Continental Europe	7.5	7.6
Logistics – United Kingdom	8.9	8.4
Business Parks – United Kingdom	8.0	8.7

During the current financial year, the fair values of 67% (2013: 69%) of these stabilised investment properties held directly by Goodman (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For Goodman's investments in managed funds, 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 5% to 15%.

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

(d) Inventories

	Consolidated	
	2014 \$M	2013 \$M
Current		
Land and development properties	121.1	156.8
	121.1	156.8
Non-current		
Land and development properties	1,009.0	792.7
	1,009.0	792.7

During the financial year, impairments of \$5.1 million (2013: \$45.4 million) were recognised to write down development land to net realisable value.

During the financial year, borrowing costs of \$29.5 million (2013: \$12.1 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal of the inventories.

Notes to the consolidated financial statements

Continued

9 Property assets continued

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Stabilised investment properties		Investment properties under development		Consolidated	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Carrying amount at the beginning of the year	2,090.4	2,259.0	315.5	415.5	2,405.9	2,674.5
Capital expenditure	24.2	19.3	41.6	39.9	65.8	59.2
Transfers	6.2	26.6	(6.2)	(26.6)	–	–
Disposals:						
– Carrying value of properties sold	(1.3)	(249.8)	(12.5)	(1.7)	(13.8)	(251.5)
– On disposal of interests in controlled entities	–	(29.0)	–	(87.2)	–	(116.2)
Transfers to inventories	–	–	–	(13.9)	–	(13.9)
Net gain/(loss) from fair value adjustments	47.6	44.2	1.0	(16.2)	48.6	28.0
Effect of foreign currency translation	23.6	20.1	2.8	5.7	26.4	25.8
Carrying amount at the end of the year	2,190.7	2,090.4	342.2	315.5	2,532.9	2,405.9
Analysed as by segment:						
Australia and New Zealand					2,210.5	2,101.2
Continental Europe					87.7	82.4
United Kingdom					234.7	222.3
					2,532.9	2,405.9

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 note 1(f) and 2).

The majority of Goodman's directly held investment properties are in Australia. The following table shows the valuation technique used in measuring the fair value of the Australian investment property portfolio, as well as the typical range assumed for the significant unobservable inputs used:

Class of investment property	Valuation technique	Significant unobservable inputs	
Stabilised	Income capitalisation	Range of net market rents (per square metre per annum)	\$50 – \$235
		Capitalisation rate (weighted average)	7.64%
Under development	Income capitalisation	Range of net market rents (per square metre per annum)	\$70 – \$325
		Range of capitalisation rates	7.25% – 7.75%

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

The Consolidated Entity leases out investment properties under operating leases. The weighted average lease expiry of Goodman's directly held investment properties in Australia is 3.3 years. On expiry, the terms are renegotiated. None of the leases includes contingent rentals. Further details on non-cancellable operating lease commitments receivable from investment property customers are shown in the table below:

Non-cancellable operating lease commitments receivable from investment property customers

	Consolidated	
	2014 \$M	2013 \$M
Non-cancellable operating lease commitments receivable:		
– Within one year	153.2	141.0
– One year or later and no later than five years	382.9	318.3
– Later than five years	149.7	74.7
	685.8	534.0

9 Property assets continued

(f) Investments accounted for using the equity method

(i) Investments in associates

The Consolidated Entity's principal associates are set out below:

Name	Country of establishment/ incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment associates							
Goodman Australia Industrial Fund (GAIF)	Australia	114.1	82.9	27.5	26.6	943.9	818.0
Goodman Australia Development Fund (GADF) ²	Australia	–	4.5	–	20.0	–	47.8
Goodman Trust Australia (GTA)	Australia	53.7	49.1	19.9	19.9	412.4	372.3
Goodman Property Trust (GMT) ¹	New Zealand	21.6	12.7	17.6	17.6	210.9	181.8
Goodman Hong Kong Logistics Fund	Cayman Islands	68.8	58.5	20.0	20.0	409.4	370.5
Goodman China Logistics Holding Limited (GCLH) ²	China	–	6.6	–	20.0	–	20.2
Goodman Japan Core Fund (GJCF TMKs) ³	Japan	8.2	4.2	23.8	30.9	114.0	92.0
Goodman European Logistics Fund Arlington Business Parks Partnership (ABPP)	Luxembourg	30.5	20.8	20.4	30.8	374.6	484.9
	United Kingdom	53.5	(32.5)	43.1	43.1	385.9	300.5
		350.4	206.8			2,851.1	2,688.0

1. GMT is listed on the New Zealand Exchange. The market value of the Consolidated Entity's investment in GMT at 30 June 2014 using the quoted price on the last day of trading was \$210.7 million (2013: \$183.7 million). Goodman is assessed to have significant influence over the operations of GMT despite only owning 17.6% (2013: 17.6%) of its issued equity as it operates as fund manager and is the largest unitholder in GMT with the rest of the units widely held.
2. During the financial year, the investments in GADF and GCLH were reclassified from investments in associates to investments in JVs. The investments continue to be accounted for using the equity method and therefore this reclassification does not have any significant impact on the financial position and the financial result of the Consolidated Entity.
3. Reflects the weighted average ownership interest in GJCF TMKs.

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

	Consolidated	
	2014 \$M	2013 \$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,688.0	2,522.2
Share of net results after tax (before revaluations)	236.9	220.2
Share of fair value adjustments attributable to investment properties	121.6	5.7
Share of fair value adjustments on derivative financial instruments	(8.1)	(19.1)
Share of net results	350.4	206.8
Share of movements in reserves	0.3	6.9
Gain/(loss) on dilution of investment	0.2	(0.9)
Transfers to investments in JVs	(68.0)	–
Acquisitions	242.0	344.6
Disposals	(251.7)	(380.3)
Capital return	(4.9)	–
Distributions received	(155.7)	(142.0)
Effect of foreign currency translation	50.5	130.7
Carrying amount at the end of the year	2,851.1	2,688.0

Notes to the consolidated financial statements

Continued

9 Property assets continued

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

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

	GAIF		GTA		GMT		GHKLF		GJCF TMKs		GELF		ABPP	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Summarised statement of financial position														
Total current assets	46.3	51.1	39.1	28.4	11.0	5.2	161.7	79.8	66.1	38.6	134.4	251.1	328.3	59.8
Total non-current assets	5,607.3	4,793.6	3,322.3	3,003.9	2,002.5	1,734.1	2,695.0	2,581.2	951.5	555.2	3,064.8	2,679.0	1,276.2	1,476.0
Total current liabilities	154.7	99.4	237.4	285.8	12.7	13.9	66.0	77.0	28.3	11.3	124.4	60.1	410.8	58.8
Total non-current liabilities	2,140.8	1,736.6	1,202.1	1,014.2	813.8	715.9	748.5	736.6	509.2	283.9	1,240.0	1,303.1	297.9	779.5
Net assets (100%)	3,358.1	3,008.7	1,921.9	1,732.3	1,187.0	1,009.5	2,042.2	1,847.4	480.1	298.6	1,834.8	1,566.9	895.8	697.5
Consolidated ownership interest	27.5%	26.6%	19.9%	19.9%	17.6%	17.6%	20.0%	20.0%	23.8% ²	30.9%	20.4%	30.8%	43.1%	43.1%
Consolidated share of net assets	924.4	800.3	382.8	344.4	208.5	177.7	408.4	369.5	114.0	92.0	373.6	482.6	385.9	300.5
Capitalised costs	2.8	2.6	–	–	2.4	4.1	1.0	1.0	–	–	1.0	2.3	–	–
Distributions receivable ¹	16.7	15.1	29.6	27.9	–	–	–	–	–	–	–	–	–	–
Carrying amount of investment in associate	943.9	818.0	412.4	372.3	210.9	181.8	409.4	370.5	114.0	92.0	374.6	484.9	385.9	300.5
Summarised statement of comprehensive income														
Revenue	468.6	450.0	284.6	272.1	121.6	96.8	139.0	109.8	57.9	15.1	202.0	162.6	149.5	114.4
Profit/(loss) after tax and revaluations	413.9	216.2	269.5	246.7	109.5	72.5	616.7	292.6	39.6	12.6	144.0	83.0	115.9	(75.5)
Other comprehensive income	–	13.7	3.4	13.9	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (100%)	413.9	229.9	272.9	260.6	109.5	72.5	616.7	292.6	39.6	12.6	144.0	83.0	115.9	(75.5)
Distributions received by the Consolidated Entity	63.8	78.3	27.1	10.2	12.0	9.7	17.9	9.8	2.3	0.5	32.6	30.3	–	–

1. Distributions receivable relate to distributions provided for but not paid by the associate at 30 June 2014. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.

2. Reflects the weighted average ownership interest in GJCF TMKs.

9 Property assets continued

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs

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

Name	Country of establishment/ incorporation	Consolidated share of JV's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment JVs							
KWASA Goodman Industrial Trust (KGIT)	Australia	17.1	9.5	40.0	40.0	189.4	182.6
Goodman China Logistics Holding Limited ¹	China	17.0	–	20.0	–	179.9	–
Property development JVs							
Goodman Japan Development Partnership (GJDP)	Japan	33.3	(0.1)	50.0	50.0	94.7	87.0
Goodman North America Partnership (GNAP)	USA	(0.3)	(0.2)	55.0	55.0	153.1	95.6
Other JVs		27.7	12.8			387.4	189.9
		94.8	22.0			1,004.5	555.1

1. During the financial year, the investment in GCLH was reclassified from investments in associates to investments in JVs. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any significant impact on the financial position and the financial result of the Consolidated Entity.

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

	Consolidated	
	2014 \$M	2013 \$M
Movement in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	555.1	371.2
Share of net results after tax (before revaluations)	80.6	23.9
Share of fair value adjustments attributable to investment properties	16.6	(1.7)
Share of fair value adjustments on derivative financial instruments	(2.4)	(0.2)
Share of net results	94.8	22.0
Share of movements in reserves	–	0.2
Impairment	(0.1)	(2.8)
Transfers from investments in associates	68.0	–
Reclassification of loan to related party ¹	110.6	–
Acquisitions	320.8	397.7
Disposals	(23.8)	(156.5)
Transfer on reclassification as a controlled entity	(1.8)	–
Capital return	(2.5)	(72.6)
Distributions/dividends received	(105.9)	(7.7)
Effect of foreign currency translation	(10.7)	3.6
Carrying amount at the end of the year	1,004.5	555.1

1. During the year, the Directors reviewed the classification of the loan provided to GCLH and determined that it would be more appropriate to include the receivable balance as part of the equity accounted investment in the joint venture entity.

Notes to the consolidated financial statements

Continued

9 Property assets continued

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

The table below includes further information regarding the Consolidated Entity's material investments in JVs at the end of the financial year:

	KGIT		GCLH		GJDP		GNAP	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Summarised statement of financial position								
Current assets								
Cash and cash equivalents	4.4	1.8	92.7	–	32.3	9.8	16.3	4.6
Other current assets	3.4	2.5	7.5	–	0.5	0.8	20.2	1.3
Total current assets	7.8	4.3	100.2	–	32.8	10.6	36.5	5.9
Total non-current assets	764.9	722.1	1,022.2	–	305.6	213.9	248.5	162.1
Current liabilities								
	12.3	7.6	59.1	–	0.9	0.3	13.1	0.7
Non-current liabilities								
Financial liabilities	297.0	274.4	134.5	–	–	54.6	–	–
Other non-current liabilities	1.3	1.1	48.9	–	152.3	–	0.3	–
Total non-current liabilities	298.3	275.5	183.4	–	152.3	54.6	0.3	–
Net assets (100%)	462.1	443.3	879.9	–	185.2	169.6	271.6	167.3
Consolidated ownership interest	40.0%	40.0%	20.0%	–	50.0%	50.0%	55.0%	55.0%
Consolidated share of net assets	184.8	177.3	176.0	–	92.6	84.8	149.4	92.0
Capitalised costs	4.6	5.3	3.9	–	2.1	2.2	3.7	3.6
Carrying amount of investment in JV	189.4	182.6	179.9	–	94.7	87.0	153.1	95.6
Summarised statement of comprehensive income								
Revenue	68.5	51.9	42.8	–	293.2	–	–	–
Interest income	0.1	0.2	0.2	–	–	–	–	–
Interest expense	(13.5)	(11.5)	(5.6)	–	–	–	–	–
Income tax expense	–	–	(4.0)	–	–	–	–	–
Profit/(loss) after tax and revaluations	42.7	23.7	95.8	–	66.8	(0.1)	(0.4)	(0.4)
Total comprehensive income (100%)	42.7	23.7	95.8	–	66.8	(0.1)	(0.4)	(0.4)
Distributions/dividends received by the Consolidated Entity								
	13.9	4.6	0.7	–	82.6	–	–	–

For other immaterial JVs, the total profit/(loss) after tax and revaluations is \$86.9 million (2013: \$53.0 million) and other comprehensive income is \$nil (2013: \$nil).

10 Other assets

	Consolidated	
	2014 \$M	2013 \$M
Current		
Prepayments	12.1	27.5
Other assets	3.0	5.9
	15.1	33.4
Non-current		
Deposits	0.4	21.1
	0.4	21.1

11 Other financial assets

	Consolidated	
	2014 \$M	2013 \$M
Investment in unlisted securities, at fair value ¹	13.1	15.7
	13.1	15.7

1. The investment in unlisted securities primarily relates to the investment in Goodman European Business Parks Fund (GEBPF). The fair value of GEBPF is determined by reference to the net asset value per security advised to investors.

12 Plant and equipment

	Consolidated	
	2014 \$M	2013 \$M
Leasehold improvements, at cost	7.6	6.7
Accumulated amortisation	(3.9)	(2.4)
	3.7	4.3
Plant and equipment, at cost	47.8	42.2
Accumulated depreciation	(32.3)	(25.7)
	15.5	16.5
Total plant and equipment, at net book value	19.2	20.8

13 Intangible assets

The Consolidated Entity recognises both goodwill and indefinite life management rights in its statement of financial position. Goodwill represents the excess of the purchase price paid to acquire control over entities or groups of entities over the fair value of the net assets acquired. Management rights represent the cost less impairment of the Consolidated Entity's fund and asset management arrangements.

	Consolidated	
	2014 \$M	2013 \$M
Goodwill	661.8	637.7
Management rights	270.9	253.7
	932.7	891.4

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

	Consolidated	
	2014 \$M	2013 \$M
Carrying amounts		
Goodwill		
Japan	14.7	15.2
Logistics – Continental Europe	552.5	536.0
Logistics – United Kingdom	89.3	81.1
North America	5.3	5.4
Subtotal – goodwill	661.8	637.7
Management rights		
New Zealand	6.3	5.7
Hong Kong	21.5	22.2
China	28.9	29.4
Logistics – Continental Europe	31.5	30.6
Business Parks – United Kingdom	182.7	165.8
Subtotal – management rights	270.9	253.7
Total	932.7	891.4

Notes to the consolidated financial statements

Continued

13 Intangible assets continued

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

Cost	Balance at 1 July 2012 \$M	Acquisitions \$M	Effect of foreign currency translation \$M	Balance at 30 June 2013 \$M	Acquisitions \$M	Effect of foreign currency translation \$M	Balance at 30 June 2014 \$M
Goodwill							
Japan	–	15.2	–	15.2	–	(0.5)	14.7
Logistics – Continental Europe	476.0	–	66.7	542.7	–	16.7	559.4
Business Parks – Continental Europe	5.9	–	0.8	6.7	–	0.2	6.9
Logistics – United Kingdom	109.0	–	8.3	117.3	–	11.9	129.2
North America	4.9	–	0.5	5.4	–	(0.1)	5.3
Subtotal – goodwill	595.8	15.2	76.3	687.3	–	28.2	715.5
Management rights							
New Zealand	5.3	–	0.4	5.7	–	0.6	6.3
Hong Kong	19.9	–	2.3	22.2	–	(0.7)	21.5
China	26.7	–	2.7	29.4	–	(0.5)	28.9
Logistics – Continental Europe	26.8	–	3.8	30.6	–	0.9	31.5
Business Parks – Continental Europe	8.8	–	1.2	10.0	–	0.3	10.3
Business Parks – United Kingdom	160.0	–	12.0	172.0	–	17.5	189.5
Science Parks – United Kingdom	13.6	–	1.0	14.6	(16.1)	1.5	–
Subtotal – management rights	261.1	–	23.4	284.5	(16.1)	19.6	288.0
Total	856.9	15.2	99.7	971.8	(16.1)	47.8	1,003.5

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

Impairment losses	Balance at 1 July 2012 \$M	Effect of foreign currency translation \$M	Balance at 30 June 2013 \$M	Disposals \$M	Effect of foreign currency translation \$M	Balance at 30 June 2014 \$M
Goodwill						
Logistics – Continental Europe	5.9	0.8	6.7	–	0.2	6.9
Business Parks – Continental Europe	5.9	0.8	6.7	–	0.2	6.9
Logistics – United Kingdom	33.7	2.5	36.2	–	3.7	39.9
Subtotal – goodwill	45.5	4.1	49.6	–	4.1	53.7
Management rights						
Business Parks – Continental Europe	8.8	1.2	10.0	–	0.3	10.3
Business Parks – United Kingdom	5.8	0.4	6.2	–	0.6	6.8
Science Parks – United Kingdom	13.6	1.0	14.6	(16.1)	1.5	–
Subtotal – management rights	28.2	2.6	30.8	(16.1)	2.4	17.1
Total	73.7	6.7	80.4	(16.1)	6.5	70.8

There have been no impairment losses or reversals of impairment losses during the financial year (2013: \$nil).

13 Intangible assets continued

Impairment testing for intangible assets

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

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

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

One of the key assumptions in relation to the impairment testing for each intangible asset balance is that the Consolidated Entity's management contracts are assessed to have an indefinite life given that these contracts are routinely renewed at minimal cost and on broadly similar financial terms.

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

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

		Logistics – Continental Europe	Logistics – United Kingdom	Business Parks – United Kingdom
Value in use (A\$M) ¹	2014	641.9	119.4	189.8
	2013	599.9	95.7	168.1
Pre-tax discount rate (pa)	2014	12.6%	14.5%	9.8%
	2013	12.2%	14.1%	10.0%
Average annual development (million square metres)	2014	0.70	0.18	0.03
	2013	0.67	0.21	0.03
Average annual growth in assets under management (AUM)	2014	9.7%	46.2%	3.5%
	2013	12.8%	74.9%	5.9%
Total performance fees (A\$M)	2014	–	–	19.8
	2013	–	–	21.4
Average annual increase in operating expenses	2014	9.2%	1.7%	–
	2013	10.6%	3.7%	–

1. When assessing a potential impairment, the value in use is compared against the sum of the intangible asset balance and the plant and equipment balance for each division.

For the Logistics divisions, the key driver of value in use is the level of and profitability of ongoing development activity. For Business Parks – United Kingdom, the key driver is the level of management income, which is primarily dependent on the level of AUM. Whilst the AUM is also important for the Logistics divisions, as they do receive management and development income from managed funds and the larger funds are more likely to generate development activity, it is not the key driver of value.

Notes to the consolidated financial statements

Continued

13 Intangible assets continued

Impairment testing for intangible assets continued

Discount rates

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

Development activity and margins

Development activity is most significant for Logistics – Continental Europe and Logistics – United Kingdom. Demand for new, modern, well located industrial product in both Continental Europe and the United Kingdom will continue to be driven by an increase in internet based retailing and specialist logistics facilities and the customers' desire to adopt modern, more efficient, distribution methods. Earnings forecasts for each division include projects which have not yet been contracted. The majority of developed product is expected to be sold to funds managed by Goodman although sales to third parties are also assumed.

For Business Parks – United Kingdom, the development activity primarily relates to the build out of existing space in ABPP.

Margins from development activity are assumed to be consistent with those achieved historically.

Specific development assumptions included in the five year forecasts

(a) Logistics – Continental Europe

Given the low growth currently being experienced in Continental Europe, the forecasts assume the annual average development starts (by area) over the five year period to be 0.7 million square metres, which is below recent levels. However, this is anticipated to increase over the forecast period such that 0.8 million square metres of business space is achieved from year five, consistent with the level achieved in past financial years. The estimated total cash outflow (from both Goodman and the funds) required to finance the assumed development pipeline across the forecast period is in the region of A\$0.6 billion per annum.

(b) Logistics – United Kingdom

The United Kingdom economy has performed strongly over the past 12 months with a significant increase in investor demand for well let assets and a continued increase in development enquiry. During the year, the division commenced 0.1 million square metres of development and transacted on a number of developments in both the Midlands and the South East.

The supply of new product in the core areas of the United Kingdom continues to be limited and as a result the division's development activity is forecast to increase within the next five years to over 0.2 million square metres per annum and remain at this level (on average) for the remainder of the forecast period. The estimated total cash outflow (from both Goodman and the funds) required to finance the assumed development pipeline across the forecast period is in the region of A\$0.2 billion per annum.

(c) Business Parks – United Kingdom

The development forecasts for Business Parks – United Kingdom assume a selective development program to create prime product to drive future investment returns. This proposed development activity will focus on core parks which currently sit within ABPP, and are most suited to both pre-committed and speculative development. The forecast assumes that development starts per annum average 0.03 million square metres per annum over the five year period, requiring total capital of A\$0.1 billion.

Sources of funding for development activity

The forecast models assume that capital continues to be available to the principal funds managed by Goodman in order that they can fund acquisitions of property (complete or under development), development management services and other property services from Goodman.

Capital inflows required to fund development activity in each division are assumed to flow from the following sources: equity investment directly into managed funds (including distribution reinvestment plans) from private and public markets; the creation of joint ventures or other investment structures involving Goodman; lending facilities (general term facilities or construction financing facilities) advanced to Goodman and/or equity investors; debt capital markets; turnkey developments; and proceeds from orderly asset sales programs. It is not practicable to determine the approximate ratio of the total which will flow from each source.

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

The downturn in earnings resulting from a combination of the Consolidated Entity's capital preservation strategies and severe adverse conditions in certain markets experienced between 2008 and 2009 is assumed not to recur in the foreseeable property cycle.

Assets under management

For Logistics – Continental Europe and Logistics – United Kingdom, the forecast growth in AUM is a result of the acquisition of both land and developed product by managed funds with valuations of logistics assets expected to show 2% to 3% annual growth over the forecast period.

For Business Parks – United Kingdom, the level of AUM is a key driver of the value in use. Property values have seen strong increases in the past 12 months as a result of investor demand for well let assets, although management has assumed a more moderate level of increases for the five year forecast period. Management anticipates that this strong market will allow a further rationalisation of the ABPP portfolio in the period until the fund renewal date in 2017. Subsequent to the fund renewal, the anticipated capital inflows and development activity result in AUM increasing back to current levels.

13 Intangible assets continued

Impairment testing for intangible assets continued

Specific AUM assumptions included in the five year forecasts

(a) Logistics – Continental Europe

For Logistics – Continental Europe, the average annual increase in AUM of 9.7% (2013: 12.8%) over the forecast period is broadly consistent with the prior year forecasts. In July 2013, GELF completed a €550.0 million capital raising from existing investors to provide liquidity for the fund. As at 30 June 2014, the undrawn equity is €416.2 million.

(b) Logistics – United Kingdom

For Logistics – United Kingdom, the forecasts assume that over the next five years, the division will increase its AUM from £31.0 million to approximately £200.0 million, reflecting the forecast increase in development activity. However, this level of AUM is lower than prior year forecasts due to the anticipated increase in transactions with third parties given the strong investment market in the United Kingdom.

(c) Business Parks – United Kingdom

The forecasts assume that AUM will increase from £708.3 million at 30 June 2014 to £840.0 million at the end of the forecast period. However, given the strong investment market in the United Kingdom, management is forecasting a decrease in AUM over the next two years before developments and on-market acquisitions, subsequent to the fund renewal in 2017, give rise to higher AUM in years four and five.

The forecasts assume that the recurring business parks AUM will be at least £840.0 million on average, consistent with the existing level but well below the level of AUM seen over the past five years.

Performance fees

Performance fee revenue has been assumed in the Business Parks – United Kingdom division. The performance fee is based on the assumption that improved property valuations and transactional activity in ABPP drives returns that are in line or better than the IPD UK property index.

Operating expenses

Operating expenses in Logistics – Continental Europe and Logistics – United Kingdom are forecast to increase over the forecast period by an average of 9.2% per annum and 1.7% per annum respectively as the divisions increase AUM.

For Business Parks – United Kingdom, there is a decrease in operating expenses consistent with the short term decrease in AUM. This is facilitated by the outsourcing of property management services.

Assumptions impacting the terminal year

		Logistics – Continental Europe	Logistics – United Kingdom	Business Parks – United Kingdom
Growth rate (pa)	2014	1.7%	3.1%	3.1%
	2013	1.7%	2.7%	2.7%
Development in terminal year (million square metres)	2014	0.80	0.22	0.03
	2013	0.80	0.22	0.04
Development in terminal year (cost in A\$ billion)	2014	0.70	0.28	0.09
	2013	0.65	0.25	0.09

Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast. The growth rates are based on the historic five year consumer price index averages in each jurisdiction and the low rate in Continental Europe reflects the current low growth environment.

The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed funds. The increase in the cost of developments in Australian dollars is largely driven by movements in foreign currency exchange rates with costs in local currencies remaining relatively stable.

The AUM in the terminal year is most relevant for the Business Parks – United Kingdom value in use calculation. The terminal year AUM of £840.0 million is higher than the current AUM of £708.3 million but well below levels experienced over the past five years. The forecasts assume that the recurring development activity supplemented by on-market acquisitions will allow AUM to increase to and subsequently be maintained at this forecast level.

Notes to the consolidated financial statements

Continued

13 Intangible assets continued

Impairment testing for intangible assets continued

Sensitivity analysis

The table below shows the impact on the impairment charge of changes in key assumptions at 30 June 2014:

	Increase discount rate by 100 bps ¹ \$M	Six month delay in development projects \$M	10% decrease in development revenues in each year \$M	10% decrease in property values in each year \$M	5% increase in forecast oper- ating expenses each year \$M	25% reduction in performance fees in each year \$M
30 June 2014						
Logistics – Continental Europe	–	–	(24.2)	–	–	–
Logistics – United Kingdom	–	–	–	–	–	–
Business Parks – United Kingdom	(0.7)	–	(3.2)	(2.5)	–	(1.8)

1. Incremental impairment loss from a 100 basis points increase in the discount rate, assuming all other assumptions remain unchanged.

A further sensitivity has been applied for Business Parks – United Kingdom to illustrate the impact on value in use of a reduction in AUM in year five. If the AUM in year five were decreased from £840 million to £740 million, then the value in use would decrease to \$176.1 million resulting in an impairment of \$6.9 million.

The table below shows the impact on the impairment charge of changes in key assumptions at 30 June 2013:

	Increase discount rate by 100 bps ¹ \$M	Six month delay in development projects \$M	10% decrease in development revenues in each year \$M	10% decrease in property values in each year \$M	5% increase in forecast oper- ating expenses each year \$M	25% reduction in performance fees in each year \$M
30 June 2013						
Logistics – Continental Europe	–	–	(43.7)	–	–	–
Logistics – United Kingdom	–	(12.0)	(0.9)	–	–	–
Business Parks – United Kingdom	(5.4)	(1.8)	(6.4)	(11.0)	(4.8)	(13.8)

1. Incremental impairment loss from a 100 basis points increase in the discount rate, assuming all other assumptions remain unchanged.

14 Payables

	Consolidated	
	2014 \$M	2013 \$M
Current		
Trade payables	53.4	66.3
Other payables and accruals	212.0	201.0
Derivative financial instruments	0.8	3.7
	266.2	271.0
Non-current		
Other payables and accruals	109.3	78.4
Derivative financial instruments ¹	303.0	236.0
	412.3	314.4

1. Includes fair values of cross currency interest rate swaps amounting to \$74.5 million (2013: \$26.7 million) entered into to hedge the United States senior notes (refer to note 15(c)) and the Japanese yen denominated private placement (refer to note 15(d)).

Payables (current and non-current), excluding derivative financial instruments, denominated in currencies other than Australian dollars were as follows:

Amounts in A\$M	NZD	USD	JPY	EUR	GBP	HKD	BRL
2014	18.5	33.9	5.1	46.4	95.5	2.3	49.4
2013	3.4	46.8	8.7	68.1	84.8	2.2	36.0

15 Interest bearing liabilities

	Note	Consolidated	
		2014 \$M	2013 \$M
Bank loans, unsecured	15(a)	155.4	263.0
Euro medium-term notes, unsecured	15(b)	453.6	411.7
US senior notes, unsecured	15(c)	1,406.0	1,428.6
Foreign private placements, unsecured	15(d)	170.2	174.5
Borrowing costs		(24.7)	(28.0)
		2,160.5	2,249.8

(a) Bank loans, unsecured

Facility		Amounts drawn down in A\$M equivalents						Total
		AUD	NZD	USD	JPY	EUR	GBP	
Bank loan ¹	2014	–	–	–	–	–	–	–
	2013	–	–	53.0	–	–	–	53.0
Bank loan ²	2014	–	–	–	–	–	–	–
	2013	–	–	–	–	89.5	–	89.5
Bank loan ³	2014	–	–	–	–	–	–	–
	2013	–	–	67.4	4.9	–	–	72.3
Bank loan ⁴	2014	–	–	–	–	–	–	–
	2013	–	–	–	–	–	30.8	30.8
Bank loan ⁵	2014	–	109.0	–	–	–	–	109.0
	2013	–	17.4	–	–	–	–	17.4
Bank loan ⁶	2014	–	46.4	–	–	–	–	46.4
	2013	–	–	–	–	–	–	–
Total unsecured bank loans	2014	–	155.4	–	–	–	–	155.4
	2013	–	17.4	120.4	4.9	89.5	30.8	263.0

1. At 30 June 2014, the facility limit was A\$53.1 million (US\$50.0 million) and the facility expires on 21 December 2015.

2. The facility was fully repaid and cancelled effective on 17 January 2014.

3. The facility was fully repaid and cancelled effective on 30 June 2014.

4. At 30 June 2014, the facility limit was A\$170.6 million (£94.0 million) and the facility expires on 31 July 2018.

5. At 30 June 2014, the facility limit was A\$157.8 million (NZ\$170.0 million) and the facility expires on 31 July 2018.

6. At 30 June 2014, the facility limit was A\$104.0 million and A\$46.4 million (NZ\$50.0 million) and the facilities expire on 31 August 2018.

The interest rates on the above unsecured bank facilities, before the impact of derivatives (refer to note 26), are based on variable floating rates plus margins for each of the relevant drawn currencies.

In addition to the above facilities, the Consolidated Entity had the following unsecured bank facilities that had not been drawn as at 30 June 2014:

- + an A\$150.0 million facility that expires on 31 July 2018;
- + an A\$145.3 million (€100.0 million) facility that expires on 31 July 2018;
- + an A\$31.8 million (US\$30.0 million) facility that expires on 21 December 2015;
- + an A\$39.8 million (US\$37.5 million) facility that expires on 21 December 2015;
- + an A\$37.5 million facility that expires on 21 December 2015;
- + an A\$50.0 million facility that expires on 21 December 2015;
- + an A\$159.0 million facility that expires on 31 December 2018; and
- + A\$105.0 million and A\$46.4 million (NZ\$50.0 million) facilities that expire on 31 July 2018.

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$453.6 million (2013: A\$411.7 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes mature 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 2014 was A\$566.2 million (2013: A\$524.9 million).

(c) United States senior notes, unsecured

As at 30 June 2014, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$344.8 million (US\$325.0 million) maturing on 12 November 2020. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually;
- + A\$530.6 million (US\$500.0 million) maturing on 15 April 2021. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually; and
- + A\$530.6 million (US\$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued at a fixed coupon of 6.0% payable semi-annually.

Notes to the consolidated financial statements

Continued

15 Interest bearing liabilities continued

(d) Foreign private placements, unsecured

As at 30 June 2014, the Consolidated Entity had the following unsecured foreign private placements:

- + A\$39.2 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$131.0 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

	Consolidated	
	Facilities available \$M	Facilities utilised \$M
At 30 June 2014		
Bank loans, unsecured	1,296.7	155.4
Euro medium-term notes, unsecured	453.6	453.6
United States senior notes, unsecured	1,406.0	1,406.0
Foreign private placements, unsecured	170.2	170.2
Bank guarantees ¹	–	25.6
	3,326.5	2,210.8
At 30 June 2013		
Bank loans, unsecured	1,496.6	263.0
Euro medium-term notes, unsecured	411.7	411.7
United States senior notes, unsecured	1,428.6	1,428.6
Foreign private placements, unsecured	174.5	174.5
Bank guarantees ¹	–	33.1
	3,511.4	2,310.9

1. Bank guarantees are drawn from facilities available under unsecured bank loans.

16 Employee benefits

	Note	Consolidated	
		2014 \$M	2013 \$M
Aggregate liability for employee benefits including on-costs			
Current			
Annual leave		5.6	5.4
Long service leave		2.1	1.5
Other employee benefits provision		53.1	46.0
		60.8	52.9
Non-current			
Long service leave		1.5	1.7
Net defined benefit liability	16(a)	26.7	23.9
Other employee benefits provision		1.1	3.1
		29.3	28.7

16 Employee benefits continued

(a) Defined benefit pension schemes

During the current and prior financial year, the Consolidated Entity operated two United Kingdom defined benefit pension schemes of the “final salary” type, both of which are closed to new entrants. There have been no changes to the scheme rules in the current and prior financial year.

Funding

Both of the defined benefit schemes are fully funded by the Consolidated Entity. The funding requirements are based on the pension scheme’s respective actuarial measurement frameworks set out in the funding policies of the schemes. The funding of both schemes is based on separate actuarial valuations for funding purposes. Employees are required to contribute to the schemes.

The Consolidated Entity expects to pay A\$2.2 million (£1.2 million) in contributions to its defined benefit schemes in the year ending 30 June 2015.

Movement in net defined benefit liability

	2014 \$M	2013 \$M
Change in benefit obligation		
Benefit obligation at the beginning of the year	78.5	67.8
Current service cost	0.3	0.4
Interest cost	3.3	2.9
Actuarial losses	1.2	2.8
Members’ contributions	0.1	0.1
Curtailements or settlements	–	(0.2)
Benefits paid	(2.3)	(0.6)
Effect of foreign currency translation	8.1	5.3
Benefit obligation at the end of the year	89.2	78.5
Change in fund assets		
Fair value of fund assets at the beginning of the year	54.6	35.9
Interest income	2.3	1.6
Actuarial gains	–	12.5
Employer contributions	2.2	2.1
Members’ contributions	0.1	0.1
Benefits paid	(2.3)	(0.6)
Effect of foreign currency translation	5.6	3.0
Fair value of fund assets at the end of the year	62.5	54.6
Net defined benefit liability at the end of the year	26.7	23.9

Amounts recognised in total comprehensive income

	2014 \$M	2013 \$M
Components of pension cost		
Current service cost	(0.3)	(0.4)
Interest cost	(3.3)	(2.9)
Interest income	2.3	1.6
Other	(1.6)	(0.8)
Total pension cost recognised in the income statement	(2.9)	(2.5)
Actuarial (losses)/gains		
Actuarial (losses)/gains recognised in equity	(1.2)	9.7
Less: Deferred tax expense ¹	(0.7)	(2.8)
Net actuarial (losses)/gains recognised in other comprehensive income	(1.9)	6.9
Amounts recognised in total comprehensive income	(4.8)	4.4

1. Includes impact of a decrease in the UK income tax rate.

Fund assets

The weighted average asset allocation at the end of the financial year was as follows:

	2014 %	2013 %
Equities	65.8	65.8
Cash	8.6	7.8
Bonds	25.6	26.4
	100.0	100.0

Notes to the consolidated financial statements

Continued

16 Employee benefits continued

(a) Defined benefit pension schemes continued

Defined benefit obligations

(i) Actuarial assumptions

	2014 % per annum	2013 % per annum
Weighted average assumptions used to determine benefit obligation		
Discount rate	4.10	4.30
Future salary growth	–	–
Future pension growth	3.40	3.20

At 30 June 2014, the weighted average duration of the defined benefit obligation was 22.0 years (2013: 22.0 years).

(ii) Sensitivity analysis

At 30 June 2014, reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts show below:

	Defined benefit obligation	
	Increase \$M	Decrease \$M
Discount rate (100 basis point movement)	(13.1)	15.9
Rate of benefit increase (100 basis point movement)	7.9	(6.9)
Life expectancy (1% movement)	3.1	(3.1)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

(b) Share based payments

At 30 June 2014, the Consolidated Entity had two share based payment scheme, the LTIP and the Goodman Tax Exempt Plan (GTEP). Details of these schemes are set out below:

Long Term Incentive Plan

The LTIP was approved at the Annual General Meeting on 30 November 2009 and each performance right issued under the LTIP entitles an employee to acquire a Goodman stapled security for \$nil consideration subject to the vesting conditions having been satisfied. The LTIP also provides for the issue of options, though this has not been utilised to date. If options were to be issued, it would entitle an employee to acquire a Goodman stapled security on payment of the exercise price for the option subject to the vesting conditions having been satisfied.

Under the terms of the LTIP and decisions made by the Directors in accordance with the plan, the issues of performance rights are subject to the following broad terms:

- + the exercise of 25% of the total performance rights will be conditional on the Consolidated Entity achieving a TSR in excess of that achieved by 50% of listed entities in the S&P/ASX 100 index and the exercise of 75% of the total performance rights will be conditional on the Consolidated Entity achieving an operating EPS outcome at least at the target level notified to the market over a three year 'testing period' and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that the Consolidated Entity achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent the Consolidated Entity exceeds the 51st percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76th percentile under the grants made pursuant to the rules and disclosed to the market;
- + performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances);
- + where performance hurdles are achieved, performance rights vest in three equal tranches approximately three, four and five years after the grant date; and
- + the majority of Australian based employees were also permitted to receive up to \$1,000 of restricted Goodman stapled securities under guidelines issued by the Australian Taxation Office. The allotment of these securities was made under the GTEP, as approved by the Board.

Goodman Tax Exempt Plan

Under the GTEP, the majority of Australian based employees are also offered up to \$1,000 of restricted securities. The intention of the GTEP is to broaden employee alignment with Securityholders. Under tax legislation, employees with adjusted taxable income of less than \$180,000 per annum are not subject to income tax when these restricted securities are granted. This tax exemption requires that there be no forfeiture conditions and that participating employees be restricted from dealing with the securities for three years.

Goodman Property Services (NZ) Limited Long Term Incentive Plan

In addition to these two share based payment schemes, a specific long-term incentive plan was introduced in 2013 for the employees of the Consolidated Entity's subsidiary that provides services to the New Zealand Stock Exchange (NZX) listed GMT. Under this plan, employees receive approximately half of their LTI in the form of performance rights over GMT units that vest subject to meeting performance hurdles based on the achievement of distributable earnings targets by GMT and the relative total unitholder return from holding GMT units compared to other NZX property vehicles. On vesting, delivery of units in GMT will be made from units held by the Consolidated Entity or acquired on market and will not be an expense of GMT.

16 Employee benefits continued

Share based payments expense included in the income statement was as follows:

	Consolidated	
	2014 \$M	2013 \$M
Share based payments expense:		
– Equity settled	27.7	20.9
– Cash settled	2.6	5.0
– Other	1.7	0.5
	32.0	26.4

At 30 June 2014, a liability of \$6.1 million (2013: \$5.0 million) was recognised in relation to cash settled performance rights.

The movement in the number of equity settled and cash settled performance rights was as follows:

	Number of rights	
	2014	2013
Outstanding at the beginning of the year	38,833,152	29,996,683
Granted	14,350,673	13,159,447
Exercised	(5,781,340)	(2,409,834)
Forfeited	(1,720,704)	(1,913,144)
Outstanding at the end of the year	45,681,781	38,833,152
Exercisable at the end of the year	–	–

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

	Rights issued on 22 Nov 2013	Rights issued on 27 Sep 2013
Fair value at measurement date (\$)	3.67	3.66
Security price (\$)	4.97	4.93
Exercise price (\$)	–	–
Expected volatility (%)	21.62	23.62
Rights' expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	5.10	4.92
Average risk free rate of interest per annum (%)	3.55	3.40

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

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

Notes to the consolidated financial statements

Continued

17 Provisions

Consolidated – 2014	Distributions to Securityholders \$M	Onerous contracts \$M	Rental guarantees \$M	Total \$M
Balance at the beginning of the year	77.5	13.5	1.7	92.7
Provisions made	356.7	–	–	356.7
Provisions used	(255.4)	(2.8)	–	(258.2)
Effect of foreign currency translation	–	0.8	–	0.8
Balance at the end of the year	178.8	11.5	1.7	192.0
Analysed as:				
Current	178.8	3.5	0.4	182.7
Non-current	–	8.0	1.3	9.3
	178.8	11.5	1.7	192.0

Onerous contracts

The provision for onerous contracts includes both onerous lease provisions and onerous fund management contract provisions.

Onerous lease provisions relate to future lease costs of office accommodation vacated by Goodman. The leases expire at various dates between July 2016 and May 2022. Subleasing of certain surplus space has been agreed or assumed in future periods. A provision has been recognised for the obligation for all discounted future payments, net of assumed rental income.

Onerous fund management contracts arise where the net operating result is forecast to be a loss over the remaining contract life. The principal management contract to which the provision relates expires in December 2014.

Rental guarantees

Rental guarantee provisions relate to estimates of future amounts payable by the Consolidated Entity to meet rental income targets guaranteed to third parties (including managed funds) under the terms of asset disposal contracts.

18 Issued capital

	2014 Number of securities	2013 Number of securities	2014 \$M	2013 \$M
Stapled securities – issued and fully paid	1,727,685,976	1,713,233,947	8,007.3	7,965.1
Less: Accumulated issue costs			(160.4)	(160.3)
Total issued capital			7,846.9	7,804.8

Terms and conditions

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

Effective 1 July 1998, the Company Law Review Act 1998 abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

18 Issued capital continued

Movement of ordinary securities

Date	Details	Number of securities	Issue price \$	GL \$M	GIT \$M	GLHK \$M	Security-holders \$M
1 Jul 2012	Opening balance	1,605,107,475		423.5	7,092.5	–	7,516.0
22 Aug 2012	In specie capital distribution of interests in GLHK shares ¹	–	–	–	(561.8)	561.8	–
3 Sep 2012	Securities issued to employees under the LTIP	2,409,834	–	–	–	–	–
19 Oct 2012	Securities issued to employees under the GTEP	46,295	–	–	–	–	–
15 Nov 2012	Securities issued under an Institutional Placement	94,117,700	4.25	40.0	320.0	40.0	400.0
19 Dec 2012	Securities issued under a Security Purchase Plan	11,552,643	4.25	4.9	39.3	4.9	49.1
30 Jun 2013	Balance before accumulated issue costs	1,713,233,947		468.4	6,890.0	606.7	7,965.1
2 Sep 2013	Securities issued to employees under the LTIP	5,465,002	–	–	–	–	–
27 Sep 2013	Securities issued to employees under the GTEP	43,860	–	–	–	–	–
21 Feb 2014	Distribution reinvestment plan	8,943,167	4.72	4.2	32.5	5.5	42.2
	Less: Accumulated issue costs	–	–	(11.4)	(148.4)	(0.6)	(160.4)
30 Jun 2014	Closing balance	1,727,685,976		461.2	6,774.1	611.6	7,846.9

1. On 22 August 2012, GIT paid a subscription amount of HK\$4,567,164,781 (A\$561.8 million) for the issue of 1,605,107,475 shares by GLHK to CHESSE Depository Nominees Pty Limited (CDN) (in addition to the one share already held). CDN issued corresponding CDIs to GIT. Later that day, GIT carried out a capital distribution in specie of all its CDI interests to its unitholders so that a CDI was stapled to each GIT unit and GL share.

19 Reserves

	Note	Consolidated	
		2014 \$M	2013 \$M
Asset revaluation reserve	19(a)	(1,105.7)	(1,225.0)
Cash flow hedge reserve	19(b)	(9.7)	(12.7)
Foreign currency translation reserve	19(c)	(257.1)	(450.8)
Employee compensation reserve	19(d)	64.3	52.4
Defined benefit funds actuarial losses reserve	19(e)	(22.3)	(18.4)
Total reserves¹		(1,330.5)	(1,654.5)

1. During the prior year, the Consolidated Entity amended its accounting practice such that the capital profits reserve was no longer required. The balance at 1 July 2012 was negative \$172.8 million and after a further \$12.0 million debit arising from the effects of foreign currency translation, the balance of \$184.8 million was transferred to (accumulated losses)/ retained earnings.

Notes to the consolidated financial statements

Continued

19 Reserves continued

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

	GL		GIT		GLHK		Securityholders	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
(a) Asset revaluation reserve								
Balance at the beginning of the year	(206.5)	(296.7)	(1,008.0)	(1,088.2)	(10.5)	–	(1,225.0)	(1,384.9)
Decrease due to revaluation of other assets	–	(1.5)	(0.5)	(0.3)	–	–	(0.5)	(1.8)
Transfers to/from (accumulated losses)/retained earnings	42.0	114.1	138.4	126.9	13.0	(10.5)	193.4	230.5
Effect of foreign currency translation	(13.5)	(22.4)	(59.7)	(46.4)	(0.4)	–	(73.6)	(68.8)
Balance at the end of the year	(178.0)	(206.5)	(929.8)	(1,008.0)	2.1	(10.5)	(1,105.7)	(1,225.0)

Refer to note 1(f) for the accounting policy relating to this reserve.

(b) Cash flow hedge reserve

Balance at the beginning of the year	(0.1)	(0.4)	(12.6)	(26.6)	–	–	(12.7)	(27.0)
Change in value of financial instruments	–	–	0.8	8.3	–	–	0.8	8.3
Transfers to the income statement	–	0.4	2.4	7.7	–	–	2.4	8.1
Effect of foreign currency translation	–	(0.1)	(0.2)	(2.0)	–	–	(0.2)	(2.1)
Balance at the end of the year	(0.1)	(0.1)	(9.6)	(12.6)	–	–	(9.7)	(12.7)

Refer to note 1(s) for the accounting policy relating to this reserve.

(c) Foreign currency translation reserve

Balance at the beginning of the year	(26.4)	(48.8)	(497.0)	(742.0)	72.6	–	(450.8)	(790.8)
Transfers to the income statement	–	(13.3)	–	–	–	–	–	(13.3)
Net exchange differences on conversion of foreign operations	(57.1)	35.7	245.9	245.0	4.9	72.6	193.7	353.3
Balance at the end of the year	(83.5)	(26.4)	(251.1)	(497.0)	77.5	72.6	(257.1)	(450.8)

Refer to note 1(c) for the accounting policy relating to this reserve.

(d) Employee compensation reserve

Balance at the beginning of the year	2.4	26.1	49.0	–	1.0	–	52.4	26.1
Transfers between GL and GIT	–	(34.3)	–	34.3	–	–	–	–
Equity settled share based payment expense	17.5	(2.2)	8.0	22.1	2.2	1.0	27.7	20.9
Transfers to/from (accumulated losses)/retained earnings	(15.8)	12.8	–	(7.4)	–	–	(15.8)	5.4
Balance at the end of the year	4.1	2.4	57.0	49.0	3.2	1.0	64.3	52.4

Refer to note 1(i) for the accounting policy relating to this reserve.

(e) Defined benefit funds actuarial losses reserve

Balance at the beginning of the year	(18.4)	(23.6)	–	–	–	–	(18.4)	(23.6)
Actuarial (losses)/gains on defined benefit superannuation funds	(1.9)	6.9	–	–	–	–	(1.9)	6.9
Effect of foreign currency translation	(2.0)	(1.7)	–	–	–	–	(2.0)	(1.7)
Balance at the end of the year	(22.3)	(18.4)	–	–	–	–	(22.3)	(18.4)

Refer to note 1(i) for the accounting policy relating to this reserve.

Total reserves	(279.8)	(249.0)	(1,133.5)	(1,468.6)	82.8	63.1	(1,330.5)	(1,654.5)
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20 (Accumulated losses)/retained earnings

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

	GL		GIT		GLHK		Securityholders	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Balance at the beginning of the year	9.3	8.9	(679.8)	(143.5)	24.4	–	(646.1)	(134.6)
Profit for the year	120.5	128.5	454.0	18.6	82.8	13.9	657.3	161.0
Transfers to/from asset revaluation reserve	(42.0)	(114.1)	(138.4)	(126.9)	(13.0)	10.5	(193.4)	(230.5)
Transfers from capital profits reserve	–	(1.2)	–	(183.6)	–	–	–	(184.8)
Transfers to/from employee compensation reserve	15.8	(12.8)	–	7.4	–	–	15.8	(5.4)
Transfers from non-controlling interests ¹	–	–	–	(8.1)	–	–	–	(8.1)
Dividends/distributions declared	(88.7)	–	(356.7)	(243.7)	–	–	(445.4)	(243.7)
Balance at the end of the year	14.9	9.3	(720.9)	(679.8)	94.2	24.4	(611.8)	(646.1)

1. In the prior financial year, issue costs previously incurred on the issue of Goodman PLUS were transferred to accumulated losses following amendments to the terms of the hybrid securities (refer to note 21).

21 Other non-controlling interests

At 30 June 2014, other non-controlling interests comprise Goodman PLUS. The movement in other non-controlling interests was as follows:

	Consolidated	
	2014 \$M	2013 \$M
Balance at the beginning of the year	331.5	318.8
Transfers to accumulated losses on modification of Goodman PLUS	–	8.1
Issue costs arising on modification of Goodman PLUS	–	(1.0)
Profit attributable to non-controlling interests	21.4	22.3
Distributions paid to non-controlling interests	(27.1)	(16.7)
Balance at the end of the year¹	325.8	331.5

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

Goodman PLUS Trust hybrid securities

Goodman PLUS Trust, a controlled entity of GIT, has 3,269,665 hybrid securities on issue at a face value of \$100 each. The hybrid securities are preferred, perpetual non-call securities which are listed on the ASX. Goodman PLUS Trust pays, at its discretion, distributions at a market rate plus a margin. The hybrid securities may be exchanged or repurchased in certain circumstances.

The key terms of the Goodman PLUS are as follows:

- + distributions under the Goodman PLUS are 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;
- + a step up margin of 0.25% will apply if the Goodman PLUS are not repurchased, exchanged or successfully remarketed on or before 30 September 2022. The first remarketing date under the amended terms is 31 December 2017 and thereafter every five years;
- + a final step up margin of 0.75% per annum will apply if the Goodman PLUS are not repurchased or exchanged on or before 31 December 2038; and
- + Goodman PLUS holders will have the right to require Goodman PLUS Trust to elect to repurchase or exchange the Goodman PLUS on 31 December 2073.

Notes to the consolidated financial statements

Continued

22 Commitments

	Consolidated	
	2014	2013
	\$M	\$M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	15.4	13.8
– One year or later and no later than five years	37.5	34.5
– Later than five years	17.8	17.7
	70.7	66.0

Development activities

At 30 June 2014, the Consolidated Entity was also committed to expenditure in respect of \$252.7 million (2013: \$138.2 million) on inventories and other development activities.

Investment properties

At 30 June 2014, amounts contracted for the acquisition of investment properties not provided are \$nil (2013: \$nil) and capital expenditure commitments on Goodman's existing investment property portfolio was \$4.7 million (2013: \$24.4 million).

Managed funds

At 30 June 2014, the Consolidated Entity has made the following equity commitments in managed funds and JVs:

- + \$123.2 million (2013: \$nil) into GELF; and
- + \$66.8 million (2013: \$112.6 million) into WTGoodman.

In relation to GAIF and GELF, 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 funds. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to \$7.5 million of the issued capital of GAIF each quarter and 2.5% of the issued capital of GELF each quarter. Furthermore, the Consolidated Entity is only required to purchase units where its co-investment in GAIF or GELF is below a prescribed limit. Currently, Goodman's interest (together with its custodian's interest) in GAIF and GELF is below the prescribed limit and both liquidity facilities are open for investors.

Furthermore, in respect of certain JVs, Goodman and its JV partners have committed to invest further capital, subject to the unanimous approval by the JV partners of the relevant property acquisition and/or development for which the funding is required. Goodman's commitment in respect of these JVs is set out below:

- + \$153.9 million (2013: \$92.1 million) into GCLH;
- + \$419.1 million (2013: \$123.4 million) into GJDP;
- + \$1,017.3 million (2013: \$435.0 million) into GNAP; and
- + \$13.9 million (2013: \$23.5 million) into other development JVs.

23 Notes to the cash flow statement

(a) Reconciliation of cash

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

	Consolidated	
	2014	2013
	\$M	\$M
Cash assets	359.9	645.4

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

	Consolidated	
	2014	2013
	\$M	\$M
Profit for the year	678.7	183.3
Items classified as investing activities		
Net gain on disposal of investment properties	(1.0)	(12.9)
Net gain on disposal of controlled entities	–	(12.1)
Net gain on disposal of equity investments	(1.4)	–
Non-cash items		
Amortisation and depreciation	6.2	6.7
Share based payments expense	32.0	26.4
Net gain on fair value adjustments on investment properties	(48.6)	(28.0)
Impairment losses	14.4	65.4
Share of net results of equity accounted investments	(445.2)	(228.8)
Net finance expense	94.3	303.7
Income tax expense	13.0	15.9
Operating profit before changes in working capital and provisions	342.4	319.6
Changes in assets and liabilities during the year:		
– Increase in receivables	(32.7)	(96.2)
– Increase in inventories	(176.8)	(69.8)
– Decrease in other assets	21.6	140.1
– Decrease in payables	(3.5)	(72.9)
– Increase/(decrease) in provisions	38.6	(4.8)
	189.6	216.0
Dividends/distributions received from equity accounted investments	248.0	169.3
Net finance costs paid	(28.3)	(22.7)
Net income taxes paid	(4.9)	(6.5)
Net cash provided by operating activities	404.4	356.1

(c) Non-cash transactions

During the current financial year, the significant non-cash transactions are as follows:

- + the Consolidated Entity's distribution reinvestment plan has been activated during the financial year. In relation to the distribution paid in February 2014, \$42.2 million was in the form of stapled securities; and
- + the Consolidated Entity has received distributions of \$17.2 million from GTA, GMT and GADF in the form of units in the fund.

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

- + the Consolidated Entity received its distributions from GTA of \$9.6 million in the form of units in the fund;
- + the Consolidated Entity disposed of its entire interest in Highbrook Development Ltd for a consideration of \$54.6 million. This consideration was received in the form of units in GMT, of which \$24.8 million was deferred; and
- + the Consolidated Entity acquired the remaining 50% of the Consolidated Entity's JV in Japan. The purchase consideration included units in GJCF TMKs amounting to \$40.5 million.

Notes to the consolidated financial statements

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24 Controlled entities

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

Significant controlled entities	Country of incorporation/establishment
Goodman Australia Finance Pty Limited	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman PLUS Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust	Australia
Goodman Management Services (Belgium) NV	Belgium
GJDP Limited	Cayman Islands
Goodman China Asset Management Limited	Cayman Islands
Goodman China Developments	Cayman Islands
Goodman Developments Asia	Cayman Islands
MGI HK Finance	Cayman Islands
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Japan Funds Limited	Japan
Goodman Japan Limited	Japan
ABPP Investment Jersey Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Management (Jersey) Limited	Jersey
Goodman Property Holdings (Jersey) Limited	Jersey
GELF Management (Lux) Sàrl	Luxembourg
GJL Management Lux Sàrl	Luxembourg
Goodman Europe (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Midnight Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman Investment Holdings (NZ) Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman (Paihia) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman (Wynyard Precint) Limited	New Zealand
Goodman Poland Sp zoo	Poland
Goodman Funding Singapore Pte Limited	Singapore
Goodman Industrial Investments (Singapore) No.1 Pte Ltd	Singapore
Goodman Business Services (UK) Limited	United Kingdom
Goodman Development Management (UK) Limited	United Kingdom
Goodman Eastside Locks UK Ltd	United Kingdom
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman Birtcher Development Management LLC	United States
Goodman Birtcher Investment GP LLC	United States
Goodman Birtcher North America LLC	United States
Goodman Birtcher North America Management LLC	United States
Goodman Management USA Inc	United States
Tarpon Properties REIT Inc	United States

25 Related parties

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

Non-Executive Directors	Executive Directors
Mr Ian Ferrier, AM	Mr Gregory Goodman
Mr Philip Fan	Mr Philip Pearce
Mr John Harkness	Mr Danny Peeters
Ms Anne Keating	Mr Anthony Rozic
Ms Rebecca McGrath	Other senior executives
Mr Phillip Pryke	Mr Nick Kurtis
Mr Jim Sloman, OAM	Mr Nick Vrondas
	Mr Jason Little.

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Consolidated		Goodman Limited ¹	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Short-term employee benefits	17.1	16.6	–	–
Post-employment benefits	0.2	0.2	–	–
Equity compensation benefits	9.3	7.7	–	–
	26.6	24.5	–	–

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

Individual Directors' and executives' compensation disclosures

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

Transactions with associates and JVs

The transactions with associates and JVs during the financial year were as follows:

	Revenue from disposals of investment properties		Revenue from management services and development activities		Interest charged on loans to related parties	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Associates	2.1	33.3	387.1	242.9	1.3	0.1
JVs	11.3	313.2	340.6	17.5	1.4	5.8

Amounts due from associates and JVs at 30 June 2014 were as follows:

	Amounts due from related parties ¹		Loans provided by Goodman ²	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Associates				
GAIF	6.4	6.4	–	–
GADF	–	0.2	–	–
GTA	2.3	3.9	–	–
GMT	1.4	3.0	–	–
GHKLF	6.0	3.3	–	–
GCLH	–	–	–	110.6
GJCF TMKs	0.1	1.9	–	–
GELF	8.6	22.0	9.6	8.8
ABPP	4.9	4.2	–	–
	29.7	44.9	9.6	119.4
JVs				
GCLH	94.3	–	–	–
Other JVs	2.3	2.6	22.3	37.7
	96.6	2.6	22.3	37.7

1. Amounts due from related parties are either receivable within 30 days or on completion of the related development project.

2. Loans provided by Goodman to associates and JVs have generally been provided on an arm's length basis. At 30 June 2014, details in respect of the principal loan balances are set out below:

- + the shareholder loan to GCLH, which is interest free, is now included as part of the Consolidated Entity's equity accounted investment in the JV (refer note 9(f)(ii)); and
- + a shareholder loan of \$9.6 million (2013: \$8.8 million) has been provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of GELF, and incurs interest at 6.9% per annum.

Transactions with other related parties

Goodman is the fund manager and has an equity investment in GEBPF. During the current financial year, receivables of \$3.0 million due from GEBPF have been impaired. At 30 June 2014, the amount owed by GEBPF, net of impairments, is \$nil (2013: \$4.9 million). The balance in the prior year is disclosed in amounts due from related parties.

Notes to the consolidated financial statements

Continued

26 Financial risk management

The Directors have ultimate responsibility for the Consolidated Entity's capital management and financial risk management processes and have established policies, documented in the Consolidated Entity's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

Management has established the Group Investment Committee, which is the primary forum where strategic capital and financial management requirements are discussed and decisions made in accordance with the FRM policy. The Group Investment Committee meets at least every week during the financial year.

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

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

Under the FRM policy, the Consolidated Entity's derivative financial instruments are not generally 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 capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt, equity and hybrid instruments.

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

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

The Consolidated Entity's capital hedge policy for each overseas region is to hedge between 70% and 95% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS).

26 Financial risk management continued

(a) Market risk continued

As at 30 June 2014, the principal that is hedged, the weighted average exchange rates and the periods to expiry, by currency, are set out below:

	2014			2013		
CCIRS: AUD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable A\$M	Weighted average exchange rate LC/AUD	Amounts payable LC'M	Amounts receivable A\$M	Weighted average exchange rate LC/AUD
NZD payable						
2 – 5 years	(100.0)	79.8	1.2530	(220.0)	172.0	1.2795
	(100.0)	79.8		(220.0)	172.0	
HKD payable						
1 – 2 years	(1,050.0)	128.4	8.1868	–	–	–
2 – 5 years	(1,540.0)	204.1	7.5622	(2,150.0)	274.2	7.8626
Over 5 years	–	–	–	(200.0)	24.5	8.1610
	(2,590.0)	332.5		(2,350.0)	298.7	
JPY payable						
2 – 5 years	(18,000.0)	207.6	86.7772	(15,500.0)	180.4	85.9348
	(18,000.0)	207.6		(15,500.0)	180.4	
EUR payable						
1 – 2 years	(50.0)	69.2	0.7226	–	–	–
2 – 5 years	(420.0)	541.3	0.7771	(350.0)	457.7	0.7656
Over 5 years	–	–	–	(120.0)	152.7	0.7877
	(470.0)	610.5		(470.0)	610.4	
GBP payable						
2 – 5 years	(170.0)	282.2	0.6035	(50.0)	77.8	0.6427
	(170.0)	282.2		(50.0)	77.8	

At 30 June 2014, Goodman's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Goodman has entered into both USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2014			2013		
CCIRS: USD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate USD/LC	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate USD/LC
EUR payable						
Over 5 years	(376.7)	525.0	0.7175	(376.7)	525.0	0.7175
	(376.7)	525.0		(376.7)	525.0	
GBP payable						
Over 5 years	(166.0)	265.0	0.6263	(221.8)	355.0	0.6247
	(166.0)	265.0		(221.8)	355.0	
CCIRS: JPY receivable	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP
GBP payable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	11,300.0		(85.9)	11,300.0	

Additionally, the Consolidated Entity transacts with suppliers and customers in European countries which do not use the Euro. For material transactions, the Consolidated Entity will enter into forward foreign exchange contracts to hedge its currency exposure.

Notes to the consolidated financial statements

Continued

26 Financial risk management continued

(a) Market risk continued

Sensitivity analysis

At 30 June 2014, if the Australian dollar had strengthened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Securityholders, excluding the fair value impact on the Consolidated Entity's derivative financial instruments, would have decreased by A\$11.1 million (2013: A\$7.7 million increase). If the Australian dollar had weakened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Securityholders, excluding the fair value impact on the Consolidated Entity's derivative financial instruments, would have increased by A\$12.2 million (2013: A\$8.5 million decrease).

Interest rate risk

Goodman's interest rate risk arises from variable rate borrowings and also fixed rate to floating rate CCIRS that hedge the currency risk associated with the USD denominated notes 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.

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2014, are set out below:

	Interest bearing liabilities A\$M	Impact of derivatives CCIRS' A\$M	IRS A\$M	Net interest rate exposure A\$M
30 June 2014				
Fixed rate liabilities	1,990.6	(956.7)	1,170.3	2,204.2
Floating rate liabilities	169.9	1,119.0	(1,170.3)	118.6
	2,160.5	162.3	-	2,322.8
30 June 2013				
Fixed rate liabilities	1,976.7	(1,072.1)	929.7	1,834.3
Floating rate liabilities	273.1	1,129.6	(929.7)	473.0
	2,249.8	57.5	-	2,307.3

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

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that exist as at 30 June 2014, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

Number of years post balance date	2014		2013	
	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	2,250.8	4.12%	2,110.4	4.87%
2 years	2,083.5	4.57%	1,889.9	4.91%
3 years	1,800.3	4.98%	1,575.4	5.76%
4 years	1,504.9	5.29%	1,205.4	6.70%
5 years	844.8	3.64%	1,005.7	7.26%

Sensitivity analysis

At 30 June 2014, if interest rates on borrowings had been 100 basis points per annum (2013: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Securityholders for the financial year would have been A\$0.2 million lower/higher (2013: A\$0.2 million).

Price risk

The Consolidated Entity is not exposed to price risk.

26 Financial risk management continued

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, including new debt facilities, new issues of securities or the distribution reinvestment plan.

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

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

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1–2 year(s) \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
As at 30 June 2014								
Non-derivative financial liabilities								
Payables	374.7	361.7	265.4	45.5	11.2	20.0	2.0	17.6
Bank loans, unsecured ¹	155.4	160.6	–	0.3	–	–	160.3	–
Euro medium-term notes, unsecured	453.6	677.1	86.8	44.5	44.4	44.4	457.0	–
United States senior notes, unsecured	1,406.0	2,073.3	114.9	89.1	88.9	88.9	88.9	1,602.6
Foreign private placements, unsecured	170.2	220.1	6.5	5.4	5.3	5.3	5.3	192.3
Total non-derivative financial liabilities	2,559.9	3,492.8	473.6	184.8	149.8	158.6	713.5	1,812.5
Derivative financial liabilities/(assets) – net								
Net settled ²	46.0	47.6	20.2	11.4	6.9	4.6	1.4	3.1
Gross settled ³ :								
(Inflow)	–	(600.5)	(108.2)	(110.4)	(110.2)	(94.2)	(62.7)	(114.8)
Outflow	154.5	748.8	56.8	93.4	77.8	204.6	126.4	189.8
Total derivative financial liabilities/(assets) – net	200.5	195.9	(31.2)	(5.6)	(25.5)	115.0	65.1	78.1
As at 30 June 2013								
Non-derivative financial liabilities								
Payables	345.7	358.1	267.3	24.8	11.0	19.4	16.2	19.4
Bank loans, unsecured ¹	235.0	291.0	–	175.8	91.5	0.7	–	23.0
Euro medium-term notes, unsecured	411.7	655.8	78.7	40.3	40.4	40.3	40.3	415.8
United States senior notes, unsecured	1,428.6	2,191.0	108.6	90.3	90.5	90.3	90.3	1,721.0
Foreign private placements, unsecured	174.5	231.3	6.7	5.5	5.5	5.5	5.5	202.6
Total non-derivative financial liabilities	2,595.5	3,727.2	461.3	336.7	238.9	156.2	152.3	2,381.8
Derivative financial liabilities/(assets) – net								
Net settled ²	79.9	85.1	29.2	23.3	14.8	11.0	6.0	0.8
Gross settled ³ :								
(Inflow)	–	(745.0)	(104.0)	(108.9)	(113.9)	(110.5)	(88.0)	(219.7)
Outflow	39.3	776.9	51.0	59.0	104.8	86.5	208.7	266.9
Total derivative financial liabilities/(assets) – net	119.2	117.0	(23.8)	(26.6)	5.7	(13.0)	126.7	48.0

1. Cash flows relating to non-derivative financial liabilities under revolving facilities exclude any estimated interest payments.

2. Net settled includes IRS and forward foreign currency contracts.

3. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Continued

26 Financial risk management continued

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 8).

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.

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. 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 generally transferred only upon receipt of proceeds for the sale of those assets.

From time to time, the Consolidated Entity also makes loans to associates and JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

The credit risks associated with financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
- + 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.

(d) Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. Under the terms of these arrangements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. As the Consolidated Entity does not have any current legally enforceable right to offset, these amounts have not been offset in the statement of financial position.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Derivative financial instruments as reported in the statement of financial position \$M	Related financial instruments that are not offset \$M	Net amount \$M
As at 30 June 2014			
Derivative financial assets			
– Interest rate swaps	28.7	(22.9)	5.8
– Cross currency interest rate swaps	74.6	(72.7)	1.9
	103.3	(95.6)	7.7
Derivative financial liabilities			
– Interest rate swaps	(74.7)	22.9	(51.8)
– Cross currency interest rate swaps	(229.1)	72.7	(156.4)
	(303.8)	95.6	(208.2)
As at 30 June 2013			
Derivative financial assets			
– Interest rate swaps	16.5	(13.6)	2.9
– Cross currency interest rate swaps	104.1	(68.9)	35.2
	120.6	(82.5)	38.1
Derivative financial liabilities			
– Interest rate swaps	(96.4)	13.6	(82.8)
– Cross currency interest rate swaps	(143.3)	68.9	(74.4)
	(239.7)	82.5	(157.2)

26 Financial risk management continued

(e) Fair values of financial instruments

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

Consolidated	Carrying amount 2014 \$M	Fair value 2014 \$M	Carrying amount 2013 \$M	Fair value 2013 \$M
Financial assets				
Cash	359.9	359.9	645.4	645.4
Receivables:				
– Loans and receivables	420.9	420.9	527.4	527.4
– Interest rate swaps	28.6	28.6	16.5	16.5
– Cross currency interest rate swaps	74.6	74.6	104.1	104.1
– Foreign exchange contracts	0.1	0.1	–	–
Other financial assets:				
– Investments in unlisted securities	13.1	13.1	15.7	15.7
	897.2	897.2	1,309.1	1,309.1
Financial liabilities				
Payables:				
– Trade payables and other payables and accruals	374.7	374.7	345.7	345.7
– Interest rate swaps	74.7	74.7	96.4	96.4
– Cross currency interest rate swaps	229.1	229.1	143.3	143.3
Interest bearing liabilities ¹	2,160.5	2,522.1	2,249.8	2,490.3
	2,839.0	3,200.6	2,835.2	3,075.7

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2014 (refer to note 15).

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 2):

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2014				
Available for sale financial assets	–	–	13.1	13.1
Derivative financial assets	–	103.3	–	103.3
	–	103.3	13.1	116.4
Derivative financial liabilities	–	303.8	–	303.8
	–	303.8	–	303.8
As at 30 June 2013				
Available for sale financial assets	–	–	15.7	15.7
Derivative financial assets	–	120.6	–	120.6
	–	120.6	15.7	136.3
Derivative financial liabilities	–	239.7	–	239.7
	–	239.7	–	239.7

There were no transfers between the levels during the year.

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

The Level 2 derivative financial instruments held by the Consolidated Entity consist of interest rate swaps, cross currency interest rate swaps and foreign exchange contracts.

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.

The Level 3 available for sale financial assets related primarily to GEBPF. The fair value was determined by reference to the net asset value of GEBPF, which incorporated the fair values of investment properties.

Notes to the consolidated financial statements

Continued

27 Auditors' remuneration

	Consolidated	
	2014 \$000	2013 \$000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	989.2	1,145.9
– Audit and review of financial reports (overseas KPMG firms)	909.2	793.3
	1,898.4	1,939.2
Other regulatory services		
– Other regulatory services (KPMG Australia)	42.7	36.2
– Other regulatory services (overseas KPMG firms)	28.3	15.3
Other assurance services		
– Investigative accounting services (KPMG Australia)	10.0	177.1
– Investigative accounting services (overseas KPMG firms)	11.3	194.9
Taxation services		
– Taxation compliance services (KPMG Australia)	2.4	61.3
– Taxation compliance services (overseas KPMG firms)	195.4	86.4
– Other taxation advice (KPMG Australia)	61.4	151.8
– Other taxation advice (overseas KPMG firms)	149.8	322.2
	501.3	1,045.2
Total paid/payable to KPMG	2,399.7	2,984.4
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	202.7	197.5

28 Parent Entity disclosures

As at, and throughout the financial year ended, 30 June 2014, the parent company of the Consolidated Entity was Goodman Limited.

	2014 \$M	2013 \$M
Result of the Parent Entity		
(Loss)/profit for the year	(23.9)	178.9
Other comprehensive income	–	–
Total comprehensive income for the year	(23.9)	178.9
Financial position of the Parent Entity at year end		
Current assets	220.9	255.1
Total assets	1,294.6	971.3
Current liabilities	865.1	431.6
Total liabilities	865.1	431.6
Total equity of the Parent Entity comprising of:		
Issued capital	674.5	672.4
Profits reserve	90.2	178.9
Employee compensation reserve	2.9	2.6
Accumulated losses	(338.1)	(314.2)
Total equity	429.5	539.7

28 Parent Entity disclosures continued

Parent Entity capital commitments

The Parent Entity has no capital commitments (2013: \$nil).

Parent Entity contingencies

Capitalisation Deed Poll

The Company and certain of its wholly-owned controlled entities are “investors” under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under 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. As at 30 June 2014, the Consolidated Entity had A\$155.4 million (2013: A\$263.0 million) of debt which had the benefit of the CDP.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 15), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, 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 15), Goodman Funding Pty Limited, a controlled entity of GIT, issued US\$325.0 million, US\$500.0 million and US\$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

Goodman PLUS guarantee

Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and Goodman Logistics (HK) Limited, guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS (refer to note 21) under the terms of issue and subscription terms for those securities.

29 Events subsequent to balance date

In the opinion of the Directors, there were no events subsequent to balance date, and up to the date of signature of this consolidated financial report, that would require adjustment or disclosure in the consolidated financial report.

Directors' declaration

Goodman Limited and its Controlled Entities

In the opinion of the directors of Goodman Limited:

- (a) the consolidated financial statements and the notes set out on pages 43 to 99 and the remuneration report that is contained on pages 24 to 37 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

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

Signed in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman
Sydney, 14 August 2014



Gregory Goodman
Group Chief Executive Officer

Independent auditor's report to the members of Goodman Limited



Report on the financial report

We have audited the accompanying financial report of the Goodman Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Consolidated Entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Goodman Limited is 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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration report included in pages 24 to 37 of the Directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration report of Goodman Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Teer
Partner

Sydney, 14 August 2014

Goodman Industrial Trust and its Controlled Entities

Consolidated financial report for the year ended 30 June 2014

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Directors' report

The directors (Directors) of Goodman Funds Management Limited (Responsible Entity), the responsible entity for Goodman Industrial Trust (GIT, Trust or Parent Entity), present their Directors' report together with the consolidated financial report of GIT and the entities it controlled (Consolidated Entity) at the end of, or during, the year ended 30 June 2014 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 Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over the ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

Directors

The Directors at any time during, or since the end of, the 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
Ms Anne Keating (Independent Director)	6 February 2004
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Philip Pearce (Managing Director, Greater China)	1 January 2013
Mr Danny Peeters (Executive Director, Corporate)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Chief Executive Officer)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 107 to 108 in this Directors' report.

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 108 in this Directors' report.

Directors' meetings

The number of Directors' meetings held (including meetings of committees of Directors) and the number of meetings attended by each of the Directors during the 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	8	8	4	4	3	3	–	–
Mr Gregory Goodman	8	8	–	–	–	–	–	–
Mr Philip Fan	8	7	4	4	–	–	4	4
Mr John Harkness	8	8	4	4	–	–	4	4
Ms Anne Keating	8	8	–	–	3	3	4	4
Ms Rebecca McGrath	8	8	–	–	3	3	4	4
Mr Philip Pearce	8	8	–	–	–	–	–	–
Mr Danny Peeters	8	8	–	–	–	–	–	–
Mr Phillip Pryke	8	7	4	4	3	3	–	–
Mr Anthony Rozic	8	7	–	–	–	–	–	–
Mr Jim Sloman	8	8	–	–	3	3	4	4

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

Directors' report

Continued

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.

Operating and financial review

Review of operations

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

	Consolidated	
	2014 \$M	2013 \$M
Gross property income	164.0	185.5
Share of net results of equity accounted investments	350.8	219.8
Profit attributable to unitholders of GIT (Unitholders)	454.0	18.6
Total comprehensive income attributable to Unitholders	644.8	221.8

Value of assets

	Consolidated	
	2014 \$M	2013 \$M
Carrying value of assets	8,164.5	7,753.4

The basis for valuation of assets is disclosed in notes 1, 2, 6 and 21 to the consolidated financial statements.

Property investment

The key drivers (and also risks) for the Consolidated Entity's property investment earnings are maintaining the Consolidated Entity's direct and indirect interest in investment properties, maintaining or increasing occupancy and rental levels within the portfolio, and changes to rent levels.

Underlying property fundamentals were robust during the financial year, with overall occupancy at 30 June 2014 of 96% across Goodman Group, consistent with the prior year. Goodman Group's weighted average lease expiry across the investment portfolio was 4.9 years. Leasing activity undertaken across Goodman Group's portfolio during the financial year has resulted in 3.0 million square metres of industrial and business space being leased, achieving like-for-like net property income growth of 2.2%.

Investment earnings reflect the selective rotation of property assets and co-investment initiatives undertaken during the year, ensuring Goodman Group is capitalising on the market demand for industrial property and recycling capital into new growth opportunities.

Issued capital

The movement in units on issue in GIT during the year is set out below:

	Consolidated	
	2014 M	2013 M
Units on issue at the beginning of the year	1,713.2	1,605.1
Units issued	14.5	108.1
Units on issue at the end of the year	1,727.7	1,713.2

Capital management

Goodman Group has maintained a sound financial position with gearing at 19.5% (2013:18.5%), well within Goodman Group's target. Interest cover remains high at 5.9 times.

At 30 June 2014, Goodman Group has available liquidity of \$1.5 billion and Goodman Group has a weighted average debt maturity profile of 5.4 years, with debt maturities fully covered to December 2018. During the year, Standard & Poor's revised Goodman Group's 'BBB' corporate credit rating outlook to 'positive' from 'stable'.

Goodman Group has continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets. During the current financial year, Goodman Group has procured \$0.8 billion of debt facilities with an average term of 10.5 years across Goodman Group and its associates and joint ventures (JVs).

Furthermore, Goodman Group's distribution reinvestment plan was active during the financial year, raising a total of \$42.2 million from the interim distribution for the six months to 31 December 2013, of which \$32.5 million related to GIT.

Strategy and outlook

Goodman Group's business strategy is to be the leading international provider of industrial property and business space to leading global customers in each of the markets in which Goodman Group operates. Goodman Group's integrated "own+develop+manage" customer service model is a driving principle in Goodman Group's operations. The Directors of Goodman Group believe that this business model is both relevant for the contemporary operating environment and sustainable into the future.

Goodman Group's "own+develop+manage" customer service model is intended to allow Goodman Group to build an in-depth understanding of customer needs and to assist Goodman Group in providing access to quality information on portfolio performance and market dynamics. Goodman Group believes its ability to establish a better understanding of its customers' needs allows for better customer management opportunities and enables Goodman Group to provide a more tailored property management service. Goodman Group strives to meet the requirements of its customers "in-house" through the repositioning of existing assets or via the development of new pre-leased sites, while the "in-house" property management team works efficiently to satisfy customer needs.

Goodman Group seeks to create value through expansion, both organically and through strategic acquisitions, while enhancing returns through the active management of its property portfolio. The cornerstone of this strategy is a substantial portfolio (including both directly-owned property and cornerstone investments in associates and JVs) of quality industrial and business space assets, coupled with Goodman Group's integrated property platform.

Development is an important component of Goodman Group's business strategy because it drives portfolio growth, with the expansion of existing customers and the procurement of new customers, and provides a source of investment products for the Consolidated Entity's associates and JVs.

Goodman Group believes that its ability to utilise capital in this way, coupled with the ability to employ third party capital invested in associates and JVs, enables it to grow the business outside of Goodman Group's traditional markets. Through cornerstone investments in associates and JVs, Goodman

intends to align its interests with those of the funds' investors and believes that it is able to foster long-term relationships with the funds' investors. By attracting a group of key global investors, Goodman Group aims to secure sources of funding for the Consolidated Entity's associates and JVs, allowing for the expansion of the business without needing to fund such expansion entirely with its own balance sheet. This strategy also fosters a more diversified range of investments and market opportunities to maximise return and balance risk for the long term.

The strength of its established businesses in Australia, Hong Kong and Europe and the growth of the Americas businesses will ensure the Consolidated Entity is well positioned to achieve a solid result in the year ending 30 June 2015.

Distributions

The total distribution declared to ordinary Unitholders during the year was 20.7 cents per unit (2013: 14.2 cents per unit). Further details of distributions paid or declared during the year are set out in note 4 to the consolidated financial statements.

Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of Australia, those obligations are identified and appropriately addressed. The Directors have determined that there has not been any material breach of those obligations during the year.

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 have a right to be indemnified under the constitution of the Responsible Entity. The directors of Responsible Entity are also directors of GL. Deeds of Indemnity have been executed by GL, consistent with the Constitution of GL, in favour of each Director. The Deed indemnifies each Director to the extent permitted by law for liabilities (other than legal costs) incurred in their capacity as a director of GL, the Responsible Entity or other controlled entities of GL and, in respect of legal costs, for liabilities incurred in defending or resisting civil or criminal proceedings.

Goodman Group has insured to the extent permitted by law, current and former directors and Officers of the Responsible Entity in respect of liability and legal expenses incurred in their capacity as a director or officer. As it is prohibited under the terms of the contract of insurance, the directors have not included details of the nature of the liabilities covered or the amount of the premiums paid. The auditors of the Consolidated Entity are not indemnified in any way by this insurance cover.

Fees paid to and interests held by related entities and Directors

Fees were paid or are payable to Goodman Group 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 20 to the consolidated financial statements.

Directors' report

Continued

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 signature of this Directors' report is as follows:

Directors	Number of securities	Number of performance rights
Non-Executive		
Mr Ian Ferrier	141,674	–
Mr Philip Fan	17,103	–
Mr John Harkness	89,369	–
Ms Anne Keating	64,033	–
Ms Rebecca McGrath	14,336	–
Mr Phillip Pryke	108,232	–
Mr Jim Sloman	77,745	–
Executive		
Mr Gregory Goodman	45,583,572	3,601,700
Mr Philip Pearce	164,798	1,071,704
Mr Danny Peeters	679,624	1,909,441
Mr Anthony Rozic	333,611	1,898,241

At 30 June 2014, Mr Anthony Rozic held 1,000 of the perpetual preferred units (Goodman PLUS) issued by Goodman PLUS Trust. None of the other Directors holds any relevant interests in Goodman PLUS.

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 9 years, 4 months**

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of The Institute of Chartered Accountants in Australia 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 Australian Vintage Ltd (director since November 1991) and a director of EnergyOne Limited (since January 2007) and Reckon Limited (since August 2004). He was formerly the Chairman of InvoCare Limited (from March 2001 to October 2013).

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 a 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 19 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 director and/or representative on other controlled entities, management companies and funds of Goodman Group.

**Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and
Compliance Committee
Appointed 1 December 2011; Tenure 2 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 and develops and manages numerous waste-to-energy and waste water treatments 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 an independent non-executive director of the Hong Kong Stock Exchange listed Hysan Development Co Ltd, China Aircraft Leasing Group Holdings Limited, HKC Holdings Limited and First Pacific Company Limited. He is also a member of the Asian Advisory Committee of AustralianSuper.

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 Risk and
Compliance Committee
Appointed 1 September 2004; Tenure 9 years, 10 months**

John is a Fellow of The Institute of Chartered Accountants in Australia 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). He was formerly a director of Sinclair Knight Mertz Management Pty Limited (from 2010 to December 2013). John is Vice President of Northern Suburbs Rugby Football Club Limited, 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.

**Ms Anne Keating – Independent Director
Member of the Remuneration and Nomination Committee
and Risk and Compliance Committee
Appointed 6 February 2004; Tenure 10 years, 4 months**

Anne has 20 years of experience as a director of public companies. She is currently a director of Ardent Leisure Group (since March 1998), REVA Medical, Inc. (since October 2010), GI Dynamics, Inc. (since June 2011) and The Garvan Institute of Medical Research. Anne was formerly a director of ClearView Wealth Limited (November 2010 to October 2012) as well as Spencer Street Station Redevelopment Holdings Limited, Insurance Australia Group Limited and STW Limited.

Anne is also a Member of the Advisory Council C.I.M.B of Australia, 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
Member of the Remuneration and Nomination Committee
and Risk and Compliance Committee
Appointed 3 April 2012; Tenure 2 years, 2 months**

Rebecca is currently a non-executive director of CSR Limited (since February 2012), Incitec Pivot Limited (since September 2011) and OZ Minerals Limited (since November 2010). 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 Bachelor's Degree of Town Planning, a Masters of Applied Science (Project Management) and is a graduate of the Cambridge University Business and Environment Program. She is a Fellow of the Australian Institute of Company Directors.

Directors' report

Continued

Mr Philip Pearce – Managing Director, Greater China Appointed 1 January 2013; Tenure 1 year, 6 months

Philip is responsible for the strategic development and continued expansion of Goodman Group's industrial investment business in the Greater China region. He joined Goodman Group in 2002 and has over 16 years of experience in real estate investment in the Asia Pacific region, including four years in Singapore with Ascendas-MGM Funds Management Limited, the manager of Ascendas Real Estate Investment Trust. Prior to joining Goodman Group, he was at AMP Henderson Global Investors in Sydney where he worked in various roles within the AMP Henderson Property Group including valuation, asset management and fund management.

Philip is a director and/or representative of Goodman Group's Greater China controlled entities, management companies and funds. Philip holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

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

Danny has oversight of Goodman Group's European Logistics and Business Park operations and strategy and is responsible for Goodman Group's investment in Brazil. Danny has been with the Group since 2006 and has 17 years of experience in the property and logistics sectors. Danny is a director of the Consolidated Entity's fund management entities, controlled entities and the JVs 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 3 years, 8 months

Phillip is a director of Co-Investor Group and Tru-Test Corporation Limited and the Deputy Chairman and Lead Independent Director of New Zealand Exchange listed Contact Energy 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 Chairman of ASX listed Digital Performance Group Ltd (from January 2009 to August 2012).

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

Mr Anthony Rozic – Deputy Chief Executive Officer Appointed 1 January 2013; Tenure 1 year, 6 months

Anthony's responsibilities for Goodman Group include assisting in setting and managing strategy, business performance, corporate transactions and related operational projects with direct line management of Marketing, Information Technology (IT), Human Resources, Legal and Compliance. Anthony joined Goodman Group in 2004 and until February 2009, was Group Chief Financial Officer where his responsibilities also included financial reporting, management reporting, forecasting and budgeting, tax, and capital and financial risk management. Anthony is a qualified Chartered Accountant and has over 20 years of experience in the property industry, having previously held a number of senior roles in the property funds management industry and chartered accountancy profession.

Anthony is also a director of Goodman Group's controlled entities and was recently responsible for establishing the Goodman Group's investment into the United States.

Mr Jim Sloman, OAM – Independent Director Member of the Remuneration and Nomination Committee and Risk and Compliance Committee Appointed 1 February 2006; Tenure 8 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 ISIS 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.

Company Secretary

Mr Carl Bicego – Company Secretary Appointed 24 October 2006

Carl is the Company Secretary of Goodman Limited and its Australian controlled entities, as well as Legal Counsel – Head of Corporate in Australia. He has over 15 years of legal experience in corporate law and joined Goodman Group from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Rights over Goodman Group stapled securities

Details of the performance rights over Goodman Group stapled securities held by the Directors are set out below. None of the Non-Executive Directors held any rights over Goodman Group stapled securities. No rights have been granted since the end of the financial year.

Performance rights

	Number of performance rights granted	Date performance rights granted	% vested in prior years	% vested in the year	% forfeited	Financial years in which grant vests
Executive Directors						
Mr Gregory Goodman	947,368	22 Nov 13	–	–	–	2017 – 2019
	927,152	16 Nov 12	–	–	–	2016 – 2018
	980,000	25 Nov 11	–	–	–	2015 – 2017
	730,770	1 Feb 11	–	33.3	–	2014 – 2016
	780,000	14 May 10	33.3	33.3	–	2013 – 2015
Mr Philip Pearce	394,737	22 Nov 13	–	–	–	2017 – 2019
	298,013	16 Nov 12	–	–	–	2016 – 2018
	200,000	30 Sep 11	–	–	–	2015 – 2017
	153,847	1 Feb 11	–	33.3	–	2014 – 2016
	229,167	14 May 10	33.3	33.3	–	2013 – 2015
Mr Danny Peeters	421,053	22 Nov 13	–	–	–	2017 – 2019
	463,576	12 Oct 12	–	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	–	2015 – 2017
	480,000	1 Feb 11	–	33.3	–	2014 – 2016
	554,436	14 May 10	33.3	33.3	–	2013 – 2015
Mr Anthony Rozic	421,053	22 Nov 13	–	–	–	2017 – 2019
	463,576	12 Oct 12	–	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	–	2015 – 2017
	480,000	1 Feb 11	–	33.3	–	2014 – 2016
	520,834	14 May 10	33.3	33.3	–	2013 – 2015

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 signature of this Directors' report, performance rights issued to employees under the LTIP and the applicable total Securityholder return (TSR) or earnings per security (EPS) performance hurdles were:

Expiry date	Exercise price \$	Number of performance rights ¹	Performance hurdles ²
Sep 18	–	12,562,467	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 17	–	11,658,981	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 16	–	10,395,704	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 15	–	5,259,642	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 14	–	2,775,989	Relative TSR ³ (50%) and operating EPS ⁴ (50%)

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.

3. The TSR vesting condition is determined by Goodman Group's relative TSR over a three year period from the beginning of the financial year in which the grant is made.

4. The EPS vesting condition is determined by Goodman Group's aggregated operating EPS over a three year period from the beginning of the financial year in which the grant is made compared to the target EPS as determined by the Board of Goodman Limited.

Directors' report

Continued

Events subsequent to balance date

In the opinion of the Directors, there were no events subsequent to balance date, and up to the date of signature of this Directors' report, that would require adjustment or disclosure in the consolidated financial report.

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

The lead auditor's independence declaration is set out on page 111 and forms part of this Directors' report for the year.

Rounding

The Consolidated Entity is an entity of a kind referred to in Australian Securities & Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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, 14 August 2014



Gregory Goodman
Group Chief Executive Officer

Lead auditor's independence declaration



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 2014, there have been:

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

A handwritten signature in black ink, appearing to read 'John Teer', written over a faint, larger KPMG logo.

KPMG

A handwritten signature in black ink, appearing to read 'John Teer', written in a cursive style.

John Teer
Partner

Sydney, 14 August 2014

Consolidated statement of financial position

as at 30 June 2014

		Consolidated	
	Note	2014 \$M	2013 \$M
Current assets			
Cash	19(a)	227.9	405.1
Receivables	5	2,726.8	2,092.6
Inventories	6(b)	4.2	31.2
Other assets	7	5.6	5.9
Total current assets		2,964.5	2,534.8
Non-current assets			
Receivables	5	142.8	166.3
Inventories	6(b)	98.3	59.0
Investment properties	6(b)	1,950.4	2,108.8
Investments accounted for using the equity method	6(b)	3,000.3	2,884.5
Other financial assets	8	8.2	–
Total non-current assets		5,200.0	5,218.6
Total assets		8,164.5	7,753.4
Current liabilities			
Deferred income		1.6	3.2
Payables	9	119.2	159.6
Provisions	10	178.8	77.8
Total current liabilities		299.6	240.6
Non-current liabilities			
Payables	9	405.1	305.6
Interest bearing liabilities	11	2,160.5	2,250.3
Total non-current liabilities		2,565.6	2,555.9
Total liabilities		2,865.2	2,796.5
Net assets		5,299.3	4,956.9
Equity			
Issued capital	12	7,025.2	6,973.2
Reserves	13	(1,154.4)	(1,491.6)
Accumulated losses	14	(897.3)	(856.2)
Total equity attributable to Unitholders		4,973.5	4,625.4
Non-controlling interests	15	325.8	331.5
Total equity		5,299.3	4,956.9

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

Consolidated income statement

for the year ended 30 June 2014

	Note	Consolidated	
		2014 \$M	2013 \$M
Revenue and other income			
Gross property income		164.0	185.5
Income from disposal of inventories		4.0	96.6
Distributions from investments		–	1.7
Net gain from fair value adjustments on investment properties	6(e)	23.8	30.2
Net gain on disposal of investment properties	3	0.8	7.8
Net gain on disposal of controlled entities	3	0.2	17.9
Share of net results of equity accounted investments	3	350.8	219.8
Net loss on disposal of equity investments	3	(1.2)	(5.1)
Other income		1.5	10.8
		543.9	565.2
Property and other expenses			
Property expenses		(46.5)	(50.2)
Inventory cost of sales		(2.7)	(96.8)
Trust expenses		(8.9)	(4.4)
Management fee	3	(10.7)	(9.9)
Impairment losses	3	(4.5)	(112.1)
Other expenses		(2.5)	(3.6)
		(75.8)	(277.0)
Profit before interest and tax		468.1	288.2
Net finance income/(expense)			
Finance income	3	198.9	139.6
Finance expense	3	(185.6)	(381.2)
Net finance income/(expense)		13.3	(241.6)
Profit before income tax		481.4	46.6
Income tax expense		(6.0)	(5.7)
Profit for the year		475.4	40.9
Profit attributable to Unitholders		454.0	18.6
Profit attributable to non-controlling interests		21.4	22.3
Profit for the year		475.4	40.9

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

Consolidated statement of comprehensive income

for the year ended 30 June 2014

	Note	Consolidated	
		2014 \$M	2013 \$M
Profit for the year		475.4	40.9
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Increase/(decrease) due to revaluation of other financial assets	13(a)	1.6	(0.3)
Cash flow hedges:			
– Change in value of financial instruments	13(b)	0.8	8.3
– Transfers from cash flow hedge reserve	13(b)	2.4	7.7
Effect of foreign currency translation	13	186.0	187.5
Other comprehensive income for the year, net of tax		190.8	203.2
Total comprehensive income for the year		666.2	244.1
Total comprehensive income attributable to:			
Unitholders		644.8	221.8
Non-controlling interests		21.4	22.3
Total comprehensive income for the year		666.2	244.1

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

Consolidated statement of changes in equity

for the year ended 30 June 2014

Year ended 30 June 2013
Consolidated

	Note	Attributable to Unitholders			Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 2012		7,173.1	(2,030.8)	(336.0)	4,806.3	318.8	5,125.1
Total comprehensive income for the year							
Profit for the year	14	–	–	18.6	18.6	22.3	40.9
Other comprehensive income for the year		–	203.2	–	203.2	–	203.2
Total comprehensive income for the year		–	203.2	18.6	221.8	22.3	244.1
Transfers		8.8	278.2	(287.0)	–	–	–
Contributions by and distributions to owners							
In specie capital distribution of interests in GLHK		(561.8)	–	–	(561.8)	–	(561.8)
Issue of units under the Institutional Placement		320.0	–	–	320.0	–	320.0
Issue of ordinary units under the Security Purchase Plan		39.3	–	–	39.3	–	39.3
Issue costs due to ordinary units		(6.2)	–	–	(6.2)	–	(6.2)
Distributions declared on ordinary units	4	–	–	(243.7)	(243.7)	–	(243.7)
Distributions declared on Goodman PLUS	4	–	–	–	–	(16.7)	(16.7)
Issue costs arising on modification of Goodman PLUS		–	–	–	–	(1.0)	(1.0)
Transfers to accumulated losses on modification of Goodman PLUS		–	–	(8.1)	(8.1)	8.1	–
Equity settled share based expense relating to Goodman Group		–	57.8	–	57.8	–	57.8
Balance at 30 June 2013		6,973.2	(1,491.6)	(856.2)	4,625.4	331.5	4,956.9

Year ended 30 June 2014
Consolidated

	Note	Attributable to Unitholders			Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 2013		6,973.2	(1,491.6)	(856.2)	4,625.4	331.5	4,956.9
Total comprehensive income for the year							
Profit for the year	14	–	–	454.0	454.0	21.4	475.4
Other comprehensive income for the year		–	190.8	–	190.8	–	190.8
Total comprehensive income for the year		–	190.8	454.0	644.8	21.4	666.2
Transfers		–	138.4	(138.4)	–	–	–
Contributions by and distributions to owners							
Distributions declared on ordinary units	4	–	–	(356.7)	(356.7)	–	(356.7)
Issue of ordinary units under the Goodman Group distribution reinvestment plan (DRP)		32.5	–	–	32.5	–	32.5
Distributions paid on Goodman PLUS	4	–	–	–	–	(27.1)	(27.1)
Equity settled share based payments transaction relating to Goodman Group		–	8.0	–	8.0	–	8.0
Issue of ordinary units under the Goodman Group LTIP		19.5	–	–	19.5	–	19.5
Balance at 30 June 2014		7,025.2	(1,154.4)	(897.3)	4,973.5	325.8	5,299.3

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

Consolidated cash flow statement

for the year ended 30 June 2014

	Note	Consolidated	
		2014 \$M	2013 \$M
Cash flows from operating activities			
Property income received		171.8	188.9
Proceeds from disposal of inventories		4.4	187.2
Other cash receipts from services provided		6.7	72.6
Property expenses paid		(47.7)	(51.7)
Payments for inventories		(12.2)	(238.5)
Other cash payments in the course of operations		(37.6)	(80.2)
Dividends/distributions received from equity accounted investments		149.8	163.1
Interest received		14.5	6.4
Finance costs paid		(114.5)	(86.9)
Net income taxes paid		(0.6)	(0.3)
Net cash provided by operating activities	19(b)	134.6	160.6
Cash flows from investing activities			
Proceeds from disposal of investment properties		15.4	207.9
Proceeds from disposal of equity investments		226.5	393.1
Net cash movement on disposal of controlled entities		(7.3)	–
Payments for investment properties		(47.6)	(74.0)
Payments for equity investments		(256.4)	(374.4)
Net (used in)/provided by investing activities		(69.4)	152.6
Cash flows from financing activities			
Proceeds from issue of ordinary units		–	359.3
Transaction costs from issue of securities		–	(7.2)
Proceeds from borrowings		422.1	945.6
Repayments of borrowings		(535.2)	(1,204.3)
Loans from related parties		111.0	64.8
Distributions paid		(240.3)	(327.3)
Net cash used in financing activities		(242.4)	(169.1)
Net (decrease)/increase in cash held		(177.2)	144.1
Cash at the beginning of the year		405.1	261.0
Cash at the end of the year	19(a)	227.9	405.1

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

Non-cash financing and investing activities are included in note 19(c).

Notes to the consolidated financial statements

1 Statement of significant accounting policies

Goodman Industrial Trust was established in Australia. The consolidated financial report of GIT for the year ended 30 June 2014 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and 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.

Statement of compliance

This consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 (Directors) of Goodman Funds Management Limited on 14 August 2014.

The significant accounting policies which have been adopted in the preparation of the consolidated financial report are set out below:

(a) 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.

(b) Principles of consolidation

Business combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

For every business combination, the Consolidated Entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control has passed from one party to another.

Measuring goodwill

The Consolidated Entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquiree, and equity interests issued by the Consolidated Entity. Consideration transferred also includes the fair value of any contingent consideration and share based payment awards of the acquiree that are replaced mandatorily in the business combination.

Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interests

The Consolidated Entity measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Consolidated Entity incurs in connection with a business combination, such as legal fees, due diligence fees and other statutory, professional and consulting fees, are expensed as incurred.

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

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 2014 and the results of all such entities for the year ended 30 June 2014.

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.

Associates

Associates are those entities 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.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(b) Principles of consolidation continued

Joint ventures

A joint venture 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 JV's 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 and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full 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 recoverable amounts.

(c) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

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

1 Statement of significant accounting policies continued

(c) Foreign currency translation continued

Exchange rates used

The main exchange rates used in translating foreign currency transactions, balances and financial statements are as follows:

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2014	2013	2014	2013
New Zealand dollars (NZD)	1.1064	1.2496	1.0772	1.1871
Hong Kong dollars (HKD)	7.1215	7.9670	7.3034	7.0739
Japanese yen (JPY)	92.7775	89.8402	95.4520	91.6400
Euros (EUR)	0.6770	0.7949	0.6883	0.7095
British pounds sterling (GBP)	0.5652	0.6550	0.5511	0.6072
United States dollars (USD)	0.9183	1.0273	0.9424	0.9275

Hedges of net investments in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in the foreign currency translation reserve. The ineffective portion is recognised immediately in profit or loss.

(d) Investment properties and gross property income

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at their fair value.

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 properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Taxation allowances for building, plant and equipment depreciation are claimed by trusts within the Consolidated Entity and are declared as tax deferred components of distributions.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, if applicable. Where a contract of purchase includes a deferred payment arrangement, the acquisition value is determined as the cash consideration payable in the future, discounted to present value at the date of acquisition. Costs of development include the costs of all materials used in construction, costs of managing the project, holding costs and borrowing costs incurred during the development period.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. The amortisation is applied to reduce gross property income.

Expenditure on direct leasing and tenancy costs is deferred and included within investment property values. Direct leasing and tenancy costs are amortised over the term of the lease in proportion to the rental income recognised in each financial year.

Stabilised investment properties

Stabilised investment properties are completed investment properties that are capable of earning rental income. An independent valuation of stabilised investment properties is obtained at least every three years to use as a basis for measuring the fair value of the properties. The independent registered valuers determine the market value based on market evidence and assuming a willing, but not anxious, buyer and seller, a reasonable period to sell the property, and the property being reasonably exposed to the market.

At each balance date occurring between obtaining independent valuations, the Directors review the carrying value of the Consolidated Entity's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties reflects the fair value of the investment properties at that date. Changes in fair value are recognised directly in the income statement. The net of unrealised revaluations from investment properties is transferred to the asset revaluation reserve from accumulated losses/retained earnings.

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.

Investment properties under development

Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Property under development for future use as an investment property is measured at fair value.

Deposits for investment properties

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

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 gains or losses are transferred from the asset revaluation reserve to accumulated losses/retained earnings.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(e) 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 sheet 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.

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.

(f) Finance income and expenses

Loan facilities

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 yield basis.

Finance income

Interest is brought to account on an accruals basis using the 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 yield 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.

(g) Distributions received from investments

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

(h) Assets and liabilities classified as held for sale

Non-current assets that are expected to be recovered through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Consolidated Entity's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount, and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(i) Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except investment properties, refer to note 1(d); and inventories, refer to note 1(e)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The write down is expensed in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through the income statement.

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the financial asset is written down to the present value of the estimated future cash flows discounted at the original effective interest rate, or in the case of an available for sale financial asset, to its fair value. The impairment is recognised in profit or loss in the reporting period in which it occurs.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1 Statement of significant accounting policies continued

(i) Impairment continued

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses, other than those referred to above, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows are discounted to their present value.

(j) Provisions

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

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

Distributions 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.

Rental guarantees

A provision for rental guarantees is recognised when it is expected that the Consolidated Entity will be obliged to make payments in the future to meet rental income targets guaranteed to third parties under the terms of asset disposal contracts. The provision is measured at the present value of the estimated future payments.

(k) Income tax

Under current Australian income tax legislation, GIT is not liable for income tax provided that each year the taxable income and any taxable capital gain derived from the sale of an asset are fully distributed to Unitholders. 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.

(l) Segment reporting

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.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group Chief Executive Officer include items that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Unallocated items include fair value adjustments and impairments, interest and tax expense, interest bearing receivables and payables, derivative financial instruments, provisions for distributions to Unitholders, provisions for distributions on hybrid securities, corporate assets, head office expenses and income tax assets and liabilities.

(m) Financial instruments

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(m) Financial instruments continued

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 1(i)), are recognised in other comprehensive income and presented in the asset revaluation reserve in equity. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available for sale financial assets comprise investments in equity securities (other financial assets).

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

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

The Consolidated Entity classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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.

Hybrid securities

The Consolidated Entity has issued hybrid securities that meet the definition of equity for the purpose of the Consolidated Entity. Accordingly, hybrid securities have been classified as equity and presented as non-controlling interests. Incremental costs directly attributable to the issue of hybrid securities are recognised as a deduction from equity, net of any tax effects.

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.

Effective 1 July 2009, the Consolidated Entity derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are treated as trading instruments, with movements in their fair value recognised in the income statement.

Prior to 30 June 2009, the Consolidated Entity designated derivative financial instruments as a hedge of an anticipated interest transaction only when they would be expected to reduce exposure to the risks being hedged, and were designated prospectively so that it was clear when an anticipated transaction had or had not occurred; and it was probable the anticipated transaction would occur as designated. Certain of the Consolidated Entity's investments in associates and continue to designate interest rate swaps as cash flow hedges for accounting purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that were previously designated and qualified as cash flow hedges are recognised in the cash flow hedge reserve. This also applies to the Consolidated Entity's share of the effective portion of changes in the fair value of derivatives in associates. The gain or loss relating to any ineffective portion is recognised in the income statement.

When a hedging instrument expired or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve is recognised in the income statement.

(n) Parent Entity financial information

The financial information for the Parent Entity, Goodman Industrial Trust, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities

Investments in controlled entities are carried at fair value which is determined with reference to the net assets of the controlled entities. Revaluation increments are credited directly to an asset revaluation reserve. Revaluation decrements are taken directly to the asset revaluation reserve to the extent that such decrements are reversing amounts previously credited to that reserve that are still available in that reserve. Revaluation decrements in excess of amounts available in the reserve are recognised as impairment losses and charged to the income statement. Subsequent revaluation increments are credited to an asset revaluation reserve.

Investments in associates and JVs

Investments in associates and JVs are accounted for at cost in the financial statements of GIT. Dividends/distributions received from associates and JVs are recognised in the Parent Entity's income statement, rather than being deducted from the carrying amount of these investments.

Financial guarantees

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

1 Statement of significant accounting policies continued

(o) 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. Of these, the following are relevant to the Consolidated Entity's financial statements:

- + AASB 10 *Consolidated Financial Statements*;
- + AASB 11 *Joint Arrangements*;
- + AASB 12 *Disclosure of Interests in Other Entities*;
- + AASB 13 *Fair Value Measurement*; and
- + AASB 136 *Impairment of Assets*.

AASB 10 Consolidated Financial Statements

AASB 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The Consolidated Entity has assessed the impact of the new accounting standard on its principal equity accounted investments and concluded the adoption does not change any of the control conclusions reached by the Consolidated Entity in respect of its involvement with other entities as at 1 July 2013.

AASB 11 Joint Arrangements

AASB 11 includes new requirements for the classification and disclosures of joint ventures. As a result of AASB 11, the Consolidated Entity has classified its interests in joint venture arrangements as either joint operations (if the Consolidated Entity has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Consolidated Entity has rights only to the net assets of an arrangement). When making this assessment, the Consolidated Entity considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Consolidated Entity has assessed its involvement in its joint venture arrangements and has determined that all the investments previously classified as joint venture entities in the prior year financial statements are now classified as joint ventures under the new accounting standard. The investments continue to be recognised by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Consolidated Entity.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, associates and unconsolidated structured entities. The disclosures are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in note 6.

AASB 13 Fair Value Measurement

AASB 13 establishes single source of fair value measurement guidance. AASB 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in notes 6 and 21. The adoption of AASB 13 does not have any material impact on the fair value measurements of the Consolidated Entity's assets and liabilities.

AASB 136 Impairment of Assets

AASB 136 prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An amendment to the accounting standard has changed the definition of recoverable amount of an asset or cash-generating unit to the higher of its fair value less costs of disposal, and its value in use. As a result of this amendment, there has been no impact on the recognised assets, liabilities and comprehensive income of the Consolidated Entity.

(p) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, revisions to AASB 9 Financial Instruments were available for early adoption but have not been applied in preparing these financial statements. The revisions include requirements for the classification and measurement of financial assets and replace AASB 139 Financial Instruments: Recognition and Measurement. The revised AASB 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2018 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard.

(q) Rounding

In accordance with Australian Securities & Investments Commission Class Order 98/100 dated 10 July 1998, the amounts shown in the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Notes to the consolidated financial statements

Continued

2 Critical accounting estimates used in the preparation of the consolidated financial statements

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

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

- + Note 6 – Property assets; and
- + Note 21 – Financial risk management.

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

Measurement of fair values

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

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

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

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

- + Note 6 – Property assets; and
- + Note 21 – Financial risk management.

3 Profit before income tax

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

	Consolidated	
	2014 \$M	2013 \$M
Net consideration from disposal of investment properties	14.6	206.4
Carrying value of investment properties disposed – refer to note 6(e)	(13.8)	(198.6)
Net gain on disposal of investment properties	0.8	7.8
Net consideration received and receivable from the disposal of controlled entities ¹	211.8	81.5
Carrying value of net assets/liabilities disposed	(211.8)	(81.5)
Net gain on disposal of special purpose development entities	0.2	17.9
Net gain on disposal of controlled entities	0.2	17.9
Share of net results of investments in associates – refer to note 6(f)(i)	322.7	207.8
Share of net results of investments in JVs – refer to note 6(f)(ii)	28.1	12.0
Share of net results of equity accounted investments	350.8	219.8
Net consideration from disposal of equity investments ²	416.2	453.4
Carrying value of equity investments disposed	(417.4)	(457.8)
Loss on dilution of investment in associate	–	(0.7)
Net loss on disposal of equity investments	(1.2)	(5.1)
Impairment of receivables	(0.5)	(12.2)
Impairment of inventories	(3.6)	(0.7)
Impairment of equity accounted investments	(0.1)	–
Impairment of other financial assets ³	(0.3)	(99.2)
Impairment losses	(4.5)	(112.1)
Finance income		
Interest income from:		
– Related parties	180.1	135.7
– Other parties	4.5	3.9
Foreign exchange gain	14.3	–
	198.9	139.6
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(104.6)	(116.8)
Other borrowing costs	(19.8)	(17.0)
Fair value adjustments on derivative financial instruments ⁴	(81.0)	(207.5)
Foreign exchange loss	–	(75.1)
Capitalised borrowing costs	19.8	35.2
	(185.6)	(381.2)
Net finance income/(expense)	13.3	(241.6)

1. During the current financial year, the Consolidated Entity disposed of two intermediate holding companies that collectively owned 100% of the ordinary shares of Moorabbin Airport Corporation Pty Limited to GL for consideration of \$211.8 million. In the prior year, as part of the restructure of Goodman Group, the Consolidated Entity disposed of 94% of its interest in Goodman Property Opportunities Lux Sàrl (GPO) and its entire interest in Goodman Developments Asia to GLHK for a total consideration of \$81.5 million.
2. During the current financial year, the Consolidated Entity disposed of units in Goodman Australia Industrial Fund (GAIF) for consideration of \$53.1 million, Goodman Property Trust (GMT) for consideration of \$194.7 million and Goodman European Logistics Fund (GELF) for consideration of \$168.4 million. In the prior year, the Consolidated Entity disposed of its 25% interest in Highbrook Development Limited (HDL) for consideration of \$54.6 million and a portion of its interest in GAIF for a consideration of \$367.4 million.
3. In the prior year, an investment in a controlled entity of GL was impaired, resulting in a loss of £65.0 million (A\$99.2 million).
4. These amounts include fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted.

Notes to the consolidated financial statements

Continued

4 Distributions

(a) Distributions declared and paid by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the year ended 30 June 2014			
– 31 Dec 2013	10.35	177.9	21 Feb 2014
– 30 Jun 2014	10.35	178.8	26 Aug 2014
	20.70	356.7	
Distributions for the year ended 30 June 2013			
– 31 Dec 2012	9.70	166.2	28 Feb 2013
– 30 Jun 2013	4.50	77.5	26 Aug 2013
	14.20	243.7	

During the current financial year, Goodman Group activated its DRP. As a consequence, \$42.2 million of the distribution for the six months to 31 December 2013 was issued in the form of Goodman Group stapled securities.

(b) Distributions declared and paid by Goodman PLUS Trust

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the year ended 30 June 2014			
– 30 Sep 2013	169.1	5.5	30 Sep 2013
– 31 Dec 2013	162.7	5.3	31 Dec 2013
– 31 Mar 2014	160.4	5.3	31 Mar 2014
– 30 Jun 2014	163.4	5.3	30 Jun 2014
	655.6	21.4	
Distributions for the year ended 30 June 2013¹			
– 21 Sep 2012	136.7	4.4	21 Sep 2012
– 31 Dec 2012	201.6	6.6	31 Dec 2012
– 31 Mar 2013	170.4	5.6	2 Apr 2013
– 30 Jun 2013	173.3	5.7	1 Jul 2013
	682.0	22.3	

1. In the prior financial year, the holders of Goodman PLUS approved certain amendments to the terms of the hybrid securities (refer to note 15). These amendments include a change to the quarterly distribution dates to 31 March, 30 June, 30 September and 31 December. This change applied after the distribution on 21 September 2012.

5 Receivables

	Consolidated	
	2014 \$M	2013 \$M
Current		
Trade receivables	1.6	2.4
Other receivables	25.4	2.5
Amounts due from related parties	1.6	2.0
Loans to related parties	2,698.1	2,085.7
Derivative financial instruments	0.1	–
	2,726.8	2,092.6
Non-current		
Other receivables	32.8	34.0
Loans to related parties	6.8	11.7
Derivative financial instruments	103.2	120.6
	142.8	166.3

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity, excluding derivative financial instruments, are due within five years from the balance sheet date. There is no material difference between the carrying values and the fair values of receivables.

Receivables, excluding derivative financial instruments, denominated in currencies other than Australian dollars are as follows:

Amounts in A\$M	NZD	JPY	EUR	GBP	USD
2014	275.9	225.9	130.7	1,650.9	528.5
2013	44.0	281.6	286.9	1,495.8	413.8

Trade receivables

As at 30 June 2014, no trade receivables were impaired (2013: \$nil). The ageing analysis of overdue trade receivables is as follows:

	Consolidated	
	2014 \$M	2013 \$M
Overdue by:		
Up to 1 month	0.1	0.1
1 month to 4 months	0.1	0.2
Greater than 4 months	1.0	–
	1.2	0.3

The Consolidated Entity holds bank guarantees and security deposits of \$1.1 million (2013: \$1.2 million) in respect of its overdue trade receivables from investment property customers.

Loans to related parties

The Consolidated Entity's loans to related parties principally relate to loans to fellow controlled entities of GL and loans to associates and JVs. The interest rates on loans to related parties were 1.2% to 10.4% per annum (2013: 1.2% to 10.1% per annum). During the current financial year, no impairment losses were recognised in respect of loans to controlled entities of GL and the cumulative impairment losses on these loans remain at \$246.2 million (2013: \$246.2 million). These impairment losses were a result of the devaluation of property assets. Further details of loans to related parties are set out in note 20.

Notes to the consolidated financial statements

Continued

6 Property assets

(a) Types of property assets

The Consolidated Entity's investment in property assets includes both investment properties (held for capital appreciation and gross property income) and inventories (held for development and sale), which may be held either directly or through its investments in associates and JVs.

Investment properties are carried at fair value and inventories are carried at the lower of cost or net realisable value. The calculation of both fair value and 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of investment properties and inventories (both directly held and in associates and JVs) are set out below.

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

	Note	Consolidated	
		2014 \$M	2013 \$M
Inventories			
Current	6(d)	4.2	31.2
Non-current	6(d)	98.3	59.0
		102.5	90.2
Investment properties			
Stabilised investment properties	6(e)	1,776.9	1,836.2
Investment properties under development	6(e)	173.5	272.6
		1,950.4	2,108.8
Investments accounted for using the equity method			
Associates	6(f)(i)	2,459.3	2,518.8
JVs	6(f)(ii)	541.0	365.7
		3,000.3	2,884.5
Total property assets		5,053.2	5,083.5

6 Property assets continued

(c) Estimates and assumptions in determining property carrying values

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business.

For both inventories held directly and inventories held in associates and JVs, 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. Such a determination is made based on the criteria set out below:

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

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

Where a market segment is observed to be active, then external, independent valuations are performed for stabilised investment properties where there has been more than a 25 basis point movement in capitalisation rates and/or there has been a material change in tenancy profile and/or there has been significant capital expenditure and/or 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 2014, 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 associates and JVs) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2014 %	2013 %
Australia	7.7	8.0
Hong Kong	6.0	6.4
Logistics – Continental Europe	7.5	7.6
Logistics – United Kingdom	9.0	8.5
Business Parks – United Kingdom	8.0	8.3

During the current financial year, the fair values of 82% (2013: 68%) 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 associates and JVs, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the Consolidated Entity's feasibility studies supporting the properties under development. 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 7.5% to 15.0%.

Notes to the consolidated financial statements

Continued

6 Property assets continued

(d) Inventories

	Consolidated	
	2014 \$M	2013 \$M
Current		
Development land	4.2	31.2
	4.2	31.2
Non-current		
Development land	98.3	59.0
	98.3	59.0

During the year, impairments of \$3.6 million (2013: \$0.7 million) were recognised to write down development land to net realisable value.

(e) Investment properties

Reconciliation carrying amount of directly held investment properties

	Stabilised investment properties		Investment properties under development		Consolidated	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Carrying amount at the beginning of the year	1,836.2	1,999.1	272.6	356.6	2,108.8	2,355.7
Capital expenditure	17.3	27.6	24.6	36.9	41.9	64.5
Transfers	9.3	14.3	(9.3)	(14.3)	–	–
Disposals:						
– Carrying value of properties sold	(1.3)	(196.1)	(12.5)	(2.5)	(13.8)	(198.6)
– On disposal of interests in controlled entities	(128.8)	(63.8)	(104.4)	(94.8)	(233.2)	(158.6)
Net gain/(loss) from fair value adjustments	22.8	39.7	1.0	(9.5)	23.8	30.2
Effect of foreign currency translation	21.4	15.4	1.5	0.2	22.9	15.6
Carrying amount at the end of the year	1,776.9	1,836.2	173.5	272.6	1,950.4	2,108.8
Analysed as:						
Australia and New Zealand					1,725.7	1,897.0
United Kingdom					224.7	211.8
					1,950.4	2,108.8

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 note 1(d) and 2).

The majority of the Consolidated Entity's directly held investment properties are in Australia. The following table shows the valuation technique used in measuring the fair value of the Australian investment property portfolio, as well as the typical range assumed for the significant unobservable inputs used:

Class of investment property	Valuation technique	Significant unobservable inputs	
Stabilised	Income capitalisation	Range of net market rents (per square metre per annum)	\$50 – \$235
		Capitalisation rate (weighted average)	7.64%
Under development	Income capitalisation	Range of net market rents (per square metre per annum)	\$70 – \$325
		Range of capitalisation rates	7.25% – 7.75%

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

The Consolidated Entity leases out investment properties under operating leases. On expiry, the terms are renegotiated. None of the leases includes contingent rentals. Further details on non-cancellable operating lease commitments receivable from investment property customers are shown in the table below:

6 Property assets continued

(e) Investment properties continued

Non-cancellable operating lease commitments receivable from investment property customers

	Consolidated	
	2014 \$M	2013 \$M
Non-cancellable operating lease commitments receivable:		
– Within one year	121.8	120.9
– One year or later and no later than five years	294.2	258.3
– Later than five years	54.1	60.3
	470.1	439.5

(f) Investments accounted for using the equity method

(i) Investments in associates

The Consolidated Entity's principal associates are set out below:

Name	Country of establishment/ incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment associates							
Goodman Australia Industrial Fund	Australia	114.1	82.9	27.5	26.6	943.9	815.7
Goodman Australia Development Fund (GADF) ¹	Australia	–	4.5	–	20.0	–	47.8
Goodman Trust Australia (GTA)	Australia	53.7	49.1	19.9	19.9	412.4	372.3
Goodman Property Trust ²	New Zealand	8.7	12.7	–	17.6	–	181.8
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	68.8	58.4	20.0	20.0	409.4	370.5
Goodman China Logistics Holding Limited (GCLH) ³	China	–	6.6	–	–	–	–
Goodman European Logistics Fund	Luxembourg	32.3	20.8	20.4	30.8	374.6	483.2
Arlington Business Parks Partnership (ABPP)	United Kingdom	45.1	(27.2)	36.3	36.3	319.0	247.5
		322.7	207.8			2,459.3	2,518.8

1. During the current financial year, the investment in GADF was reclassified from investment in associate to investment in JV. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any significant impact on the financial position and the financial result of the Consolidated Entity.

2. During the current financial year, the Consolidated Entity disposed of its entire investment in GMT to a controlled entity of GL for consideration of \$194.7 million.

3. In the prior year, the Consolidated Entity disposed of its investment in GCLH to GLHK for consideration of A\$18.0 million.

The reconciliation of the carrying value during the year is as follows:

	Consolidated	
	2014 \$M	2013 \$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,518.8	2,466.3
Share of net results after tax (before revaluations)	213.7	197.5
Share of fair value adjustments on investment properties	116.0	29.8
Share of fair value adjustments on derivative financial instruments	(7.0)	(19.5)
Share of net results	322.7	207.8
Share of movement in reserves	0.3	6.6
Loss on dilution of investment	–	(0.7)
Transfer to investments in JVs	(47.8)	–
Acquisitions	184.7	250.2
Disposals	(419.7)	(396.4)
Distributions received	(143.3)	(141.5)
Effect of foreign currency translation	43.6	126.5
Carrying amount at the end of the year	2,459.3	2,518.8

Notes to the consolidated financial statements

Continued

6 Property assets continued

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

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

	GAIF		GTA		GMT		GHKLF		GELF		ABPP	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Summarised statement of financial position												
Total current assets	46.3	51.1	39.1	28.4	–	5.2	161.7	79.8	134.4	251.1	328.3	59.7
Total non-current assets	5,607.3	4,793.6	3,322.3	3,003.9	–	1,734.1	2,695.0	2,581.2	3,064.8	2,679.0	1,276.2	1,476.0
Total current liabilities	154.7	99.4	237.4	285.8	–	13.9	66.0	77.0	124.4	60.1	410.8	58.8
Total non-current liabilities	2,140.8	1,736.6	1,202.1	1,014.2	–	715.9	748.5	736.6	1,240.0	1,303.1	315.0	795.2
Net assets (100%)	3,358.1	3,008.7	1,921.9	1,732.3	–	1,009.5	2,042.2	1,847.4	1,834.8	1,566.9	878.7	681.7
Consolidated ownership interest	27.5%	26.6%	19.9%	19.9%	–	17.6%	20.0%	20.0%	20.4%	30.8%	36.3%	36.3%
Consolidated share of net assets	924.5	800.3	382.5	344.4	–	177.7	408.4	369.5	373.6	482.6	319.0	247.5
Acquisition costs	2.7	0.3	–	–	–	4.1	1.0	1.0	1.0	0.6	–	–
Distributions receivable ¹	16.7	15.1	29.9	27.9	–	–	–	–	–	–	–	–
Carrying amount of investment in associate	943.9	815.7	412.4	372.3	–	181.8	409.4	370.5	374.6	483.2	319.0	247.5
Summarised statement of comprehensive income												
Revenue	468.6	450.0	284.6	272.1	–	96.8	139.0	109.8	202.0	162.6	149.5	114.4
Profit/(loss) after tax and revaluations	413.9	216.2	269.5	246.7	–	72.5	616.7	261.1	144.0	83.0	115.9	(75.5)
Other comprehensive income	–	13.7	3.4	13.9	–	–	–	–	–	–	–	–
Total comprehensive income (100%)	413.9	229.9	272.9	260.6	–	72.5	616.7	261.1	144.0	83.0	115.9	(75.5)
Distributions received by the Consolidated Entity	63.8	78.3	27.1	10.2	1.9	9.7	17.9	9.8	32.6	30.3	–	–

1. Distributions receivable relate to distributions provided for but not paid by the associate at 30 June 2014. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.

(ii) Investments in JVs

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

Name	Country of establishment/ incorporation	Consolidated share of JV's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment JVs							
KWASA Goodman Industrial Trust (KGIT)	Australia	17.1	9.5	40.0	40.0	185.0	178.2
Property development JVs							
Goodman North America Partnership (GNAP)	United States of America	(0.2)	(0.2)	53.0	53.0	147.6	92.2
Other JVs		11.2	2.7			208.4	95.3
		28.1	12.0			541.0	365.7

6 Property assets continued

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

The reconciliation of the carrying value during the year is as follows:

	Consolidated	
	2014 \$M	2013 \$M
Movement in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	365.7	194.2
Share of net results after tax (before revaluations)	22.3	14.2
Share of fair value adjustments on investment properties	8.1	(2.6)
Share of fair value adjustments on derivative financial instruments	(2.3)	0.4
Share of net results	28.1	12.0
Share of movement in reserves	–	0.2
Impairment	(0.1)	–
Transfer from investments in associates	47.8	–
Acquisitions	123.7	229.8
Disposals	–	(78.6)
Capital return	(2.5)	–
Distributions received	(20.7)	(6.7)
Effect of foreign currency translation	(1.0)	14.8
Carrying amount at the end of the year	541.0	365.7

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

	KGIT		GNAP	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Summarised statement of financial position				
Current assets				
Cash and cash equivalents	4.4	1.8	16.3	4.6
Other current assets	3.4	2.5	20.2	1.3
Total current assets	7.8	4.3	36.5	5.9
Total non-current assets	764.9	722.1	248.5	162.0
Current liabilities	12.3	7.6	13.1	0.7
Non-current liabilities				
Financial liabilities	297.0	274.4	–	–
Other non-current liabilities	1.3	1.2	0.3	–
Total non-current liabilities	298.3	275.6	0.3	–
Net assets (100%)	462.1	443.2	271.6	167.2
Consolidated ownership interest	40.0%	40.0%	53.0%	53.0%
Consolidated share of net assets	184.8	177.3	143.9	88.6
Acquisition costs	0.2	0.9	3.7	3.6
Carrying amount of investment in JV	185.0	178.2	147.6	92.2
Summarised statement of comprehensive income				
Revenue	68.5	51.9	–	–
Interest income	0.1	–	–	–
Interest expense	(13.5)	(11.5)	–	–
Profit/(loss) after tax	42.7	23.7	(0.4)	(0.3)
Total comprehensive income (100%)	42.7	23.7	(0.4)	(0.3)
Distributions received by the Consolidated Entity	13.9	4.6	–	–

For the Consolidated Entity's other JVs not included in the table above, the total profit after tax and revaluations is \$39.9 million (2013: \$31.3 million) and other comprehensive income is \$nil (2013: \$nil).

Notes to the consolidated financial statements

Continued

7 Other assets

	Consolidated	
	2014 \$M	2013 \$M
Prepayments	4.7	5.1
Other assets	0.9	0.8
	5.6	5.9

8 Other financial assets

	Consolidated	
	2014 \$M	2013 \$M
Investment in unlisted securities, at fair value ¹	8.2	–
	8.2	–

1. The investment in unlisted securities primarily relates to the minority interest in GPO.

Controlled entities

The significant controlled entities of the GIT are set out below:

Significant controlled entities	Country of incorporation/establishment
ABPP Investment Trust	Australia
BDE Unit Trust	Australia
Carter Street Trust	Australia
Edinburgh Trust	Australia
Euston Road Subtrust	Australia
GIT Investments Holding Trust No.3	Australia
GIT Investments Holding Trust No.4	Australia
Goodman Australia Finance Pty Limited	Australia
Goodman Capital Trust	Australia
Goodman Dandenong Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Hong Kong Investment Trust	Australia
Goodman Jersey Holdings Trust	Australia
Goodman Palmers Trust	Australia
Goodman Perth Airport No. 1 Trust	Australia
Goodman Perth Airport No. 3 Trust	Australia
Goodman PLUS Trust	Australia
Goodman Treasury Trust	Australia
Goodman Ultimo Trust	Australia
Hill Road Trust	Australia
Homebush Subtrust	Australia
IBC Trust	Australia
MGA Industrial Portfolio Trust	Australia
MIP Trust	Australia
Orion Road Trust	Australia
Perth Leasing Trust	Australia
Port Melbourne 1 Trust	Australia
MGI HK Finance	Cayman Islands
ABPP Investment Jersey Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Property Holdings (Jersey) Limited	Jersey
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Tarpon Properties REIT Inc	United States

9 Payables

	Consolidated	
	2014 \$M	2013 \$M
Current		
Trade payables	1.7	1.2
Other payables and accruals	91.3	67.5
Rental income received in advance	1.6	2.0
Loans from related parties ¹	23.8	85.2
Derivative financial instruments	0.8	3.7
	119.2	159.6
Non-current		
Other payables and accruals	102.1	69.6
Derivative financial instruments	303.0	236.0
	405.1	305.6

1. Details of loans from related parties are set out in note 20.

Payables, excluding derivative financial instruments, denominated in currencies other than Australian dollars are as follows:

Amounts in A\$M	NZD	HKD	EUR	GBP	USD
2014	20.0	0.1	6.5	60.7	6.5
2013	6.7	64.9	12.8	62.9	7.4

10 Provisions

Consolidated – 2014	Distributions to Unitholders \$M	Other \$M	Total \$M
Balance at the beginning of the year	77.5	0.3	77.8
Provisions made	356.7	–	356.7
Provisions used	(255.4)	(0.3)	(255.7)
Balance at the end of the year	178.8	–	178.8
Analysed as:			
Current	178.8	–	178.8
Non-current	–	–	–
	178.8	–	178.8

11 Interest bearing liabilities

	Note	Consolidated	
		2014 \$M	2013 \$M
Bank loans, unsecured	11(a)	155.4	263.0
Euro medium-term notes, unsecured	11(b)	453.6	411.7
US senior notes, unsecured	11(c)	1,406.0	1,428.6
Foreign private placements, unsecured	11(d)	170.2	174.5
Borrowing costs		(24.7)	(27.5)
		2,160.5	2,250.3

Notes to the consolidated financial statements

Continued

11 Interest bearing liabilities continued

(a) Bank loans, unsecured

Facility		Amounts drawn down in A\$M equivalents						Total
		AUD	NZD	USD	JPY	EUR	GBP	
Bank loan ¹	2014	–	–	–	–	–	–	–
	2013	–	–	53.0	–	–	–	53.0
Bank loan ²	2014	–	–	–	–	–	–	–
	2013	–	–	–	–	89.5	–	89.5
Bank loan ³	2014	–	–	–	–	–	–	–
	2013	–	–	67.4	4.9	–	–	72.3
Bank loan ⁴	2014	–	–	–	–	–	–	–
	2013	–	–	–	–	–	30.8	30.8
Bank loan ⁵	2014	–	109.0	–	–	–	–	109.0
	2013	–	17.4	–	–	–	–	17.4
Bank loan ⁶	2014	–	46.4	–	–	–	–	46.4
	2013	–	–	–	–	–	–	–
Total unsecured bank loans	2014	–	155.4	–	–	–	–	155.4
	2013	–	17.4	120.4	4.9	89.5	30.8	263.0

1. At 30 June 2014, the facility limit was A\$53.1 million (US\$50.0 million) and the facility expires on 21 December 2015.

2. The facility was fully repaid and cancelled effective date on 17 January 2014.

3. The facility was fully repaid and cancelled effective date on 30 June 2014.

4. At 30 June 2014, the facility limit was A\$170.6 million (£94.0 million) and the facility expires on 31 July 2018.

5. At 30 June 2014, the facility limit was A\$157.8 million (NZ\$170.0 million) and the facility expires on 31 July 2018.

6. At 30 June 2014, the facility limit was A\$104.0 million and A\$46.4 million (NZ\$50.0 million) and the facilities expire on 31 August 2018.

The interest rates on the above unsecured bank facilities, before the impact of derivatives (refer to note 21), are based on variable floating rates plus margins for each of the relevant drawn currencies.

In addition to the above facilities, the Consolidated Entity had the following unsecured bank facilities that had not been drawn as at 30 June 2014:

- + an A\$150.0 million facility that expires on 31 July 2018;
- + an A\$145.3 million (€100.0 million) facility that expires on 31 July 2018;
- + an A\$31.8 million (US\$30.0 million) facility that expires on 21 December 2015;
- + an A\$39.8 million (US\$37.5 million) facility that expires on 21 December 2015;
- + an A\$37.5 million facility that expires on 21 December 2015;
- + an A\$50.0 million facility that expires on 21 December 2015;
- + an A\$159.0 million facility that expires on 31 December 2018; and
- + A\$105.0 million and A\$46.4 million (NZ\$50.0 million) facilities that expires on 31 July 2018.

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$453.6 million (2013: A\$411.7 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes mature 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 2014 was A\$566.2 million (2013: A\$524.9 million).

(c) United States senior notes, unsecured

As at 30 June 2014, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$344.8 million (US\$325.0 million) maturing on 12 November 2020. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually;
- + A\$530.6 million (US\$500.0 million) maturing on 15 April 2021. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually; and
- + A\$530.6 million (US\$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued at a fixed coupon of 6.0% payable semi-annually.

(d) Foreign private placements, unsecured

As at 30 June 2014, the Consolidated Entity had the following unsecured foreign private placements:

- + A\$39.2 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$131.0 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.

11 Interest bearing liabilities continued

(e) Finance facilities

	Consolidated	
	Facilities available \$M	Facilities utilised \$M
At 30 June 2014		
Bank loans, unsecured	1,296.7	155.4
Euro medium-term notes, unsecured	453.6	453.6
United States senior notes, unsecured	1,406.0	1,406.0
Foreign private placements, unsecured	170.2	170.2
Bank guarantees ¹	–	25.6
	3,326.5	2,210.8
At 30 June 2013		
Bank loans, unsecured	1,496.6	263.0
Euro medium-term notes, unsecured	411.7	411.7
United States senior notes, unsecured	1,428.6	1,428.6
Foreign private placements, unsecured	174.5	174.5
Bank guarantees ¹	–	33.1
	3,511.4	2,310.9

1. Bank guarantees relate to the Consolidated Entity's unsecured bank facilities.

12 Issued capital

	Consolidated	
	2014 \$M	2013 \$M
1,727,685,976 (2013: 1,713,233,947) fully paid units on issue	7,173.6	7,121.6
Less: Issue costs ¹	(148.4)	(148.4)
	7,025.2	6,973.2

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 2012	
Issued under the Goodman Group Long Term Incentive Plan	1,605,107,475
Issued under the Goodman Group Tax Exempt Plan	2,409,834
Issued under an Institutional Placement	46,295
Issued under a Security Purchase Plan	94,117,700
	11,552,643
Units on issue at 30 June 2013	1,713,233,947
Units on issue at 1 July 2013	
Issued under the Goodman Group Long Term Incentive Plan	1,713,233,947
Issued under the Goodman Group Tax Exempt Plan	5,465,002
Issued under the Goodman Group DRP	43,860
	8,943,167
Units on issue at 30 June 2014	1,727,685,976

Notes to the consolidated financial statements

Continued

13 Reserves

	Note	Consolidated	
		2014 \$M	2013 \$M
Asset revaluation reserve	13(a)	(950.6)	(1,030.9)
Cash flow hedge reserve	13(b)	(9.7)	(12.7)
Foreign currency translation reserve	13(c)	(251.1)	(497.0)
Employee compensation reserve	13(d)	57.0	49.0
Total reserves¹		(1,154.4)	(1,491.6)

1. During the prior year, the Consolidated Entity amended its accounting practice such that the capital profits reserve was no longer required. The balance at 1 July 2012 was negative \$151.0 million and after a further \$9.2 million debit arising from the effects of foreign currency translation, the balance of \$160.2 million was transferred to accumulated losses.

14 Accumulated losses

	2014 \$M	2013 \$M
(a) Asset revaluation reserve		
Balance at the beginning of the year	(1,030.9)	(1,111.2)
Increase/(decrease) due to revaluation of other financial assets	1.6	(0.3)
Transfers to accumulated losses	138.4	126.8
Effect of foreign currency translation	(59.7)	(46.2)
Balance at the end of the year	(950.6)	(1,030.9)
(b) Cash flow hedge reserve		
Balance at the beginning of the year	(12.7)	(26.6)
Change in value of financial instruments	0.8	8.3
Transfers to the income statement	2.4	7.7
Effect of foreign currency translation	(0.2)	(2.1)
Balance at the end of the year	(9.7)	(12.7)
(c) Foreign currency translation reserve		
Balance at the beginning of the year	(497.0)	(742.0)
Net exchange differences on conversion of foreign operations	245.9	245.0
Balance at the end of the year	(251.1)	(497.0)
(d) Employee compensation reserve		
Balance at the beginning of the year	49.0	–
Equity settled share based payments transaction relating to Goodman Group	8.0	57.8
Transfers to issued capital	–	(8.8)
Balance at the end of the year	57.0	49.0
Total reserves	(1,154.4)	(1,491.6)

	Consolidated	
	2014 \$M	2013 \$M
Balance at the beginning of the year	(856.2)	(336.0)
Profit attributable to Unitholders	454.0	18.6
Transfers from asset revaluation reserve	(138.4)	(126.8)
Transfers from capital profits reserve	–	(160.2)
Transfers from non-controlling interests ¹	–	(8.1)
Distributions declared	(356.7)	(243.7)
Balance at the end of the year	(897.3)	(856.2)

1. In the prior financial year, issue costs previously incurred on the issue of Goodman PLUS were transferred to accumulated losses following amendments to the terms of the hybrid securities (refer to note 15).

15 Non-controlling interests

At 30 June 2014, other non-controlling interests comprise of Goodman PLUS Trust hybrid securities. The movement in other non-controlling interests is as follows:

	Consolidated	
	2014	2013
	\$M	\$M
Balance at the beginning of the year	331.5	318.8
Transfers to accumulated losses on modification of Goodman PLUS	–	8.1
Issue costs arising on modification of Goodman PLUS	–	(1.0)
Profit attributable to non-controlling interests	21.4	22.3
Distributions paid to non-controlling interests	(27.1)	(16.7)
Balance at the end of the year¹	325.8	331.5

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

Goodman PLUS

Goodman PLUS Trust, a controlled entity of GIT, had 3,269,665 hybrid securities on issue at a face value of \$100 each. The hybrid securities are preferred, perpetual non-call securities which are listed on the ASX. Goodman PLUS Trust pays, at its discretion, distributions at a market rate plus a margin. The hybrid securities may be exchanged or repurchased in certain circumstances.

The key terms of the Goodman PLUS are as follows:

- + distributions under the Goodman PLUS are 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;
- + a step up margin of 0.25% per annum will apply if the Goodman PLUS are not repurchased, exchanged or successfully remarketed on or before 30 September 2022. The first remarketing date under the amended terms is 31 December 2017 and thereafter every five years;
- + a final step up margin of 0.75% per annum will apply if the Goodman PLUS are not repurchased or exchanged on or before 31 December 2038; and
- + Goodman PLUS holders will have the right to require Goodman PLUS Trust to elect to repurchase or exchange the Goodman PLUS on 31 December 2073.

16 Segment reporting

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

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

Notes to the consolidated financial statements

Continued

16 Segment reporting continued

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Income statement												
External revenues												
Gross property income	147.3	165.7	–	2.8	–	1.2	16.7	15.8	–	–	164.0	185.5
Income from disposal of inventories	4.0	–	–	–	–	–	–	–	–	96.6	4.0	96.6
Distributions from investments	–	–	–	–	–	–	–	1.7	–	–	–	1.7
Other income	1.1	1.5	–	–	0.4	9.3	–	–	–	–	1.5	10.8
Total external revenues	152.4	167.2	–	2.8	0.4	10.5	16.7	17.5	–	96.6	169.5	294.6
Reportable segment profit/(loss) before tax	239.7	268.1	19.2	36.3	34.0	48.1	58.3	41.9	(0.2)	(0.2)	351.0	394.2
Share of net results of equity accounted investments:												
Operating results (excluding fair value adjustments)	137.6	145.0	19.2	5.7	33.7	32.7	45.7	28.5	(0.2)	(0.2)	236.0	211.7
Fair value adjustments – not included in reportable segment profit/(loss)	64.5	15.0	49.7	59.4	0.4	(10.6)	0.2	(55.7)	–	–	114.8	8.1
Other material non-cash items not included in reportable segment profit/(loss) before tax:												
Net gain/(loss) from fair value adjustments on investment properties	35.9	30.2	–	–	–	–	(12.1)	–	–	–	23.8	30.2
Impairment losses	(4.2)	(12.9)	–	–	–	–	(0.3)	(99.2)	–	–	(4.5)	(112.1)
Statement of financial position	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Reportable segment assets	3,539.2	3,655.3	410.9	370.5	429.4	520.4	605.1	511.4	147.7	92.3	5,132.3	5,149.9
Included in reportable segments assets are:												
Investment properties	1,725.7	1,896.9	–	–	–	–	224.7	211.9	–	–	1,950.4	2,108.8
Investments accounted for using the equity method	1,690.9	1,648.8	409.3	370.4	420.9	514.5	331.5	258.6	147.7	92.2	3,000.3	2,884.5
Reportable segment liabilities	125.2	73.4	–	0.3	0.1	(1.9)	3.4	0.9	–	0.1	128.7	72.8

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

	2014 \$M	2013 \$M
Revenues		
Total revenue for reportable segments	169.5	294.6
Consolidated revenues	169.5	294.6
Profit or loss		
Total profit before tax for reportable segments	351.0	394.2
Other non-cash items not included in reportable segment profit before tax	133.4	(88.7)
Unallocated amounts: other corporate expenses	(16.3)	(17.3)
Net finance income/(expense) – refer to note 3	13.3	(241.6)
Consolidated profit before income tax	481.4	46.6
Assets		
Assets for reportable segments	5,132.3	5,149.9
Unallocated amounts: loans to GL and GLHK	2,698.1	2,085.7
Other unallocated amounts	334.1	517.8
Consolidated total assets	8,164.5	7,753.4
Liabilities		
Liabilities for reportable segments	128.7	72.8
Unallocated amounts: interest bearing liabilities	2,160.5	2,250.3
Other unallocated amounts	576.0	473.4
Consolidated total liabilities	2,865.2	2,796.5

17 Disposal of interests in controlled entities

During the year, the Consolidated Entity disposed of its entire interest in Moorabbin Airport Corporation Pty Limited to Goodman Limited for a consideration of \$211.8 million. The effect of the disposal on the statement of financial position of the Consolidated Entity is as follows:

	Moorabbin Airport Corporation Pty Limited
	\$M
Total assets	241.2
Total liabilities	(29.4)
Net assets disposed, at fair value	211.8
Total consideration	211.8

In the prior year, the Consolidated Entity disposed of two controlled entities with a fair value of \$81.5 million to GLHK for a consideration of \$81.5 million.

18 Auditors' remuneration

	Consolidated	
	2014	2013
	\$000	\$000
Audit services		
Auditor of GIT:		
– Audit and review of financial reports (KPMG Australia)	395.7	471.2
– Audit and review of financial reports (overseas KPMG firms)	141.1	84.3
	536.8	555.5
Other regulatory services		
– Other regulatory services (KPMG Australia)	42.7	36.2
– Other regulatory services (overseas KPMG firms)	3.3	–
Other assurance services		
– Investigative accounting services (KPMG Australia)	–	177.1
Taxation services		
– Taxation compliance services (KPMG Australia)	2.4	15.3
– Taxation compliance services (overseas KPMG firms)	11.5	25.3
– Other taxation advice (KPMG Australia)	–	107.2
	59.9	361.1
Total paid/payable to KPMG	596.7	916.6
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	–	70.0

Notes to the consolidated financial statements

Continued

19 Notes to the cash flow statement

(a) Reconciliation of cash

Cash as 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:

	Consolidated	
	2014 \$M	2013 \$M
Cash assets	227.9	405.1

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

	Consolidated	
	2014 \$M	2013 \$M
Profit for the year	475.4	40.9
Items classified as investing activities		
Net gain on disposal of investment properties	(0.8)	(7.8)
Net loss on disposal of equity investments	1.2	5.1
Non-cash items		
Net gain from fair value adjustments on investment properties	(23.8)	(30.2)
Impairment losses	4.5	112.1
Share of net results of equity accounted investments	(350.8)	(219.8)
Net finance (income)/expense	(13.3)	241.6
Income tax expense	6.0	5.7
Operating profit before changes in working capital and provisions	98.4	147.6
Changes in assets and liabilities during the year:		
– Increase in receivables	(23.8)	(6.8)
– Increase in inventories	(13.0)	(77.4)
– Decrease in other assets	9.1	85.6
– Increase/(decrease) in payables	1.9	(70.0)
– Increase/(decrease) in provisions	12.8	(0.7)
	85.4	78.3
Dividends/distributions received from equity accounted investments	149.8	163.1
Net finance costs paid	(100.0)	(80.5)
Net income taxes paid	(0.6)	(0.3)
Net cash provided by operating activities	134.6	160.6

(c) Non-cash financing and investing activities

Distribution reinvestment plan

In the current financial year:

- + Goodman Group activated its DRP and \$42.2 million of the Consolidated Entity's December 2013 distribution was issued in the form of stapled securities in Goodman Group; and
- + the Consolidated Entity received its distributions from GTA, GMT and GADF of \$16.1 million in the form of units in the funds.

In the prior financial year, the Consolidated Entity received its distributions from GTA of \$9.6 million in the form of units in the fund.

Disposal of equity investments

In the prior financial year, the Consolidated Entity disposed of its entire interest in HDL for a consideration of \$54.6 million. This consideration was received in the form of units in GMT, of which \$24.8 million was deferred.

20 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 expense reimbursements where expenses have been incurred on behalf of GIT:

	Consolidated	
	2014	2013
	\$	\$
Reimbursement of expenses	10,654,813	9,934,430

As at 30 June 2014, no amounts were owed to the Responsible Entity (2013: \$nil).

Goodman Group

During the year, the Consolidated Entity disposed of its entire interest in Moorabbin Airport Corporation Pty Limited and Goodman Property Trust to other Goodman Group entities (refer to notes 6(f)(i) and 17).

Other Goodman Group entities perform a number of services for the Consolidated Entity. The services performed during the year are as follows:

	Consolidated	
	2014	2013
	\$	\$
Property services fees (including property management and leasing)	4,060,773	4,901,604
Development management and project fees	3,023,294	3,793,615
Building supervisor costs reimbursed	1,070,273	1,262,953
Reimbursement of expenses	6,189,012	–
Transaction management fee	–	2,552,390
	14,343,352	12,510,562

In addition to the above, interest bearing loans exist between Consolidated Entity and other Goodman Group entities. At 30 June 2014, interest bearing loans of \$2,901.3 million (2013: \$2,288.1 million) were receivable by the Consolidated Entity from other Goodman Group entities and \$15.8 million (2013: \$85.2 million) were payable by the Consolidated Entity to other Goodman Group entities. Loans bear interest at rates determined based on the terms under which the funds are borrowed.

Transactions with associates and JVs

Transactions between the Consolidated Entity and its associates and JVs during the year were as follows:

	Revenue from disposals of assets		Interest charged on loans		Other	
	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M
Associates	–	23.4	–	0.7	–	1.6
JVs	–	286.1	0.6	2.8	–	–

1. In the prior financial year, revenue from disposals of property assets to JVs included \$189.4 million from the disposal of investment properties to KGIT.

Amounts due from associates and JVs at 30 June 2014 were as follows:

	Amounts due from related parties ¹		Loans provided by the Consolidated Entity ²	
	2014	2013	2014	2013
	\$M	\$M	\$M	\$M
Associates	1.6	2.0	–	–
JVs	–	–	6.8	11.7

1. Trade and other receivables due were receivable within 30 days.

2. Loans provided to associates and JVs have generally been provided on an arm's length basis. At 30 June 2014, the principal loan balance related to a shareholder loan provided to GGGAIF Huntingwood East which incurred interest at 5.7% per annum.

Notes to the consolidated financial statements

Continued

21 Financial risk management

The Directors have ultimate responsibility for the Consolidated Entity's capital management and financial risk management processes and have established policies, documented in Goodman Group's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

Management has established the Group Investment Committee, which is the primary forum where strategic capital and financial management requirements are discussed and decisions made in accordance with the FRM policy. The committee meets at least 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 Goodman Group's gearing constraint;
- + analysis of Goodman Group's liquidity and funding position;
- + analysis of Goodman Group's debt maturity profile;
- + a review of all the hedge exposures and the completed hedges;
- + compliance with Goodman Group'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 generally 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

Goodman Group's main capital management objectives are to maintain a strong capital base and provide funds for capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt, equity and hybrid instruments.

Goodman Group is able to alter the capital mix by issuing new stapled securities or hybrid securities, through the operation of a distribution reinvestment plan, adjusting the timing of development and capital expenditure and selling assets to reduce borrowings. Goodman Group also manages capital through its distribution policy in which distributions made to Securityholders of Goodman Group are based on the greater of 60% of 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 at the Goodman Group level and the gearing ratio for Goodman Group is calculated as the total interest bearing liabilities less cash as a percentage of the total assets less cash.

Financial risk management

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

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in 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 future commercial transactions, recognised assets and liabilities and principally, net investments in foreign operations.

In managing foreign currency risks, Goodman Group 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 70% and 95% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS).

21 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2014, the principal that is hedged, the weighted average exchange rates and the periods of expiry, by currency, are set out below:

	2014			2013		
CCIRS: AUD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable A\$M	Weighted average exchange rate LC/AUD	Amounts payable LC'M	Amounts receivable A\$M	Weighted average exchange rate LC/AUD
NZD payable						
2 – 5 years	(100.0)	79.8	1.2530	(220.0)	172.0	1.2795
	(100.0)	79.8		(220.0)	172.0	
HKD payable						
1 – 2 years	(1,050.0)	128.4	8.1868	–	–	–
2 – 5 years	(1,540.0)	204.1	7.5622	(2,150.0)	274.2	7.8626
Over 5 years	–	–	–	(200.0)	24.5	8.1610
	(2,590.0)	332.5		(2,350.0)	298.7	
JPY payable						
2 – 5 years	(18,000.0)	207.6	86.7772	(15,500.0)	180.4	85.9348
	(18,000.0)	207.6		(15,500.0)	180.4	
EUR payable						
1 – 2 years	(50.0)	69.2	0.7226	–	–	–
2 – 5 years	(420.0)	541.3	0.7771	(350.0)	457.7	0.7656
Over 5 years	–	–	–	(120.0)	152.7	0.7877
	(470.0)	610.5		(470.0)	610.4	
GBP payable						
2 – 5 years	(170.0)	282.2	0.6035	(50.0)	77.8	0.6427
	(170.0)	282.2		(50.0)	77.8	

At 30 June 2014, the Consolidated Entity's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman Group's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, the Consolidated Entity has entered into USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2014			2013		
CCIRS: USD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate USD/LC	Amounts payable LC'M	Amounts receivable USD\$M	Weighted average exchange rate USD/LC
EUR payable						
Over 5 years	(376.7)	525.0	0.7175	(376.7)	525.0	0.7175
	(376.7)	525.0		(376.7)	525.0	
GBP payable						
Over 5 years	(166.0)	265.0	0.6263	(221.8)	355.0	0.6247
	(166.0)	265.0		(221.8)	355.0	
	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP
CCIRS: JPY receivable						
GBP payable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	11,300.0		(85.9)	11,300.0	

Additionally, the Consolidated Entity transacts with suppliers and customers in European countries which do not use the Euro. For material transactions, the Consolidated Entity will enter into forward foreign exchange contracts to hedge its currency exposure.

Notes to the consolidated financial statements

Continued

21 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

Sensitivity analysis

At 30 June 2014, if the Australian dollar had strengthened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders, excluding the fair value impact on the Consolidated Entity's derivative financial instruments, would have decreased by A\$11.1 million (2013: A\$7.7 million increase). If the Australian dollar had weakened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders, excluding the fair value impact on the Consolidated Entity's derivative financial instruments, would have increased by A\$12.2 million (2013: A\$8.5 million decrease).

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. Goodman Group 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.

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2014, are set out below:

	Interest bearing liabilities AUD'M	Impact of derivatives: CCIRS ¹ AUD'M	IRS AUD'M	Net interest rate exposure AUD'M
30 June 2014				
Fixed rate liabilities	1,990.6	(956.7)	1,170.3	2,204.2
Floating rate liabilities	169.9	1,119.0	(1,170.3)	118.6
	2,160.5	162.3	-	2,322.8
30 June 2013				
Fixed rate liabilities	1,977.2	(1,072.1)	929.7	1,834.3
Floating rate liabilities	273.1	1,129.6	(929.7)	473.0
	2,250.3	57.5	-	2,307.3

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

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that exist as at 30 June 2014, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

Number of years post balance date	2014		2013	
	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	2,250.8	4.12	2,110.4	4.87
2 years	2,083.5	4.57	1,889.9	4.91
3 years	1,800.3	4.98	1,575.4	5.76
4 years	1,504.9	5.29	1,205.4	6.70
5 years	844.8	3.64	1,005.7	7.26

Sensitivity analysis

At 30 June 2014, if interest rates on borrowings had been 100 basis points per annum (2013: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Unitholders for the financial year would have been A\$0.2 million lower/higher (2013: A\$0.2 million).

Price risk

The Consolidated Entity is not exposed to price risk.

21 Financial risk management continued

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. Goodman Group's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, including new debt facilities, new issues of securities or the distribution reinvestment plan.

Goodman Group's treasury function is responsible for reporting details of all debt maturities for all loans across the regions to the Board at its regular meetings. The 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 Goodman Group for its review and approval.

Goodman Group seeks to spread its debt maturities such that the total debt maturing in a single financial year does not exceed Board approved policy levels.

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1–2 year(s) \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
As at 30 June 2014								
Non-derivative financial liabilities								
Payables	220.5	207.5	118.4	38.3	11.2	20.0	2.0	17.6
Bank loans, unsecured ¹	155.4	160.6	–	0.3	–	–	160.3	–
Euro medium-term notes, unsecured	453.6	677.1	86.8	44.5	44.4	44.4	457.0	–
United States senior notes, unsecured	1,406.0	2,073.3	114.9	89.1	88.9	88.9	88.9	1,602.6
Foreign private placements, unsecured	170.2	220.1	6.5	5.4	5.3	5.3	5.3	192.3
Total non-derivative financial liabilities	2,405.7	3,338.6	326.6	177.6	149.8	158.6	713.5	1,812.5
Derivative financial liabilities/(assets) – net								
Net settled ²	46.0	47.6	20.2	11.4	6.9	4.6	1.4	3.1
Gross settled ³ :								
(Inflow)	–	(600.5)	(108.2)	(110.4)	(110.2)	(94.2)	(62.7)	(114.8)
Outflow	154.5	748.8	56.8	93.4	77.8	204.6	126.4	189.8
Total derivative financial liabilities/(assets) – net	200.5	195.9	(31.2)	(5.6)	(25.5)	115.0	65.1	78.1
As at 30 June 2013								
Non-derivative financial liabilities								
Payables	225.5	237.9	155.9	16.0	11.0	19.4	16.2	19.4
Bank loans, unsecured ¹	235.5	291.0	–	175.8	91.5	0.7	–	23.0
United States senior notes, unsecured	411.7	655.8	78.7	40.3	40.4	40.3	40.3	415.8
Euro medium-term notes, unsecured	1,428.6	2,191.0	108.6	90.3	90.5	90.3	90.3	1,721.0
Foreign private placements, unsecured	174.5	231.3	6.7	5.5	5.5	5.5	5.5	202.6
Total non-derivative financial liabilities	2,475.8	3,607.0	349.9	327.9	238.9	156.2	152.3	2,381.8
Derivative financial liabilities/(assets) – net								
Net settled ²	79.9	85.1	29.2	23.3	14.8	11.0	6.0	0.8
Gross settled ³ :								
(Inflow)	–	(745.0)	(104.0)	(108.9)	(113.9)	(110.5)	(88.0)	(219.7)
Outflow	39.3	776.9	51.0	59.0	104.8	86.5	208.7	266.9
Total derivative financial (assets)/liabilities – net	119.2	117.0	(23.8)	(26.6)	5.7	(13.0)	126.7	48.0

1. Cash flows relating to non-derivative financial liabilities under revolving facilities exclude any estimated interest payments.

2. Net settled relates to IRS and forward foreign currency contracts.

3. Gross settled relates to CCIRS.

Notes to the consolidated financial statements

Continued

21 Financial risk management continued

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 5).

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.

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. 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 generally transferred only upon receipt of proceeds for the sale of those assets.

From time to time, the Consolidated Entity also makes loans to associates and JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

The credit risks associated with financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
- + 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.

(d) Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. Under the terms of these arrangements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. As the Consolidated Entity does not have any current legally enforceable right to offset, these amounts have not been offset in the statement of financial position.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Derivative financial instruments as reported in the statement of financial position \$M	Related financial instruments that are not offset \$M	Net amount \$M
As at 30 June 2014			
Derivative financial assets			
– Interest rate swaps	28.7	(22.9)	5.8
– Cross currency interest rate swaps	74.6	(72.7)	1.9
	103.3	(95.6)	7.7
Derivative financial liabilities			
– Interest rate swaps	(74.7)	22.9	(51.8)
– Cross currency interest rate swaps	(229.1)	72.7	(156.4)
	(303.8)	95.6	(208.2)
As at 30 June 2013			
Derivative financial assets			
– Interest rate swaps	16.5	(13.6)	2.9
– Cross currency interest rate swaps	104.1	(68.9)	35.2
	120.6	(82.5)	38.1
Derivative financial liabilities			
– Interest rate swaps	(96.4)	13.6	(82.8)
– Cross currency interest rate swaps	(143.3)	68.9	(74.4)
	(239.7)	82.5	(157.2)

21 Financial risk management continued

(e) Fair values of financial instruments

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

Consolidated	Note	Carrying amount 2014 \$M	Fair value ¹ 2014 \$M	Carrying amount 2013 \$M	Fair value ¹ 2013 \$M
Financial assets					
Cash	19(a)	227.9	227.9	405.1	405.1
Receivables:	5				
– Loans to related parties		2,704.9	2,704.9	2,097.4	2,097.4
– Trade and other receivables		61.4	61.4	40.9	40.9
– Interest rate swaps		28.6	28.6	16.5	16.5
– Cross currency interest rate swaps		74.6	74.6	104.1	104.1
– Foreign exchange contracts		0.1	0.1	–	–
– Other financial assets		8.2	8.2	–	–
		3,105.7	3,105.7	2,664.0	2,664.0
Financial liabilities					
Payables:	9				
– Trade payables and other payables and accruals		220.5	220.5	225.5	225.5
– Interest rate swaps		74.7	74.7	96.4	96.4
– Cross currency interest rate swaps		229.1	229.1	143.3	143.3
Interest bearing liabilities ¹	11	2,160.5	2,522.1	2,250.3	2,490.8
Provisions	10	178.8	178.8	77.8	77.8
		2,863.6	3,225.2	2,793.3	3,033.8

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2014 (refer to note 11).

Notes to the consolidated financial statements

Continued

21 Financial risk management continued

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 2):

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2014				
Available for sale financial assets	–	–	8.2	8.2
Derivative financial assets	–	103.3	–	103.3
	–	103.3	8.2	111.5
Derivative financial liabilities	–	303.8	–	303.8
	–	303.8	–	303.8
As at 30 June 2013				
Derivative financial assets	–	120.6	–	120.6
	–	120.6	–	120.6
Derivative financial liabilities	–	239.7	–	239.7
	–	239.7	–	239.7

There were no transfers between the levels during the year.

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

The Level 2 derivative financial instruments held by the Consolidated Entity consist of interest rate swaps, cross currency interest rate swaps and foreign exchange contracts.

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.

In the current financial year, the Level 3 available for sale financial assets related primarily to GPO. The fair value was determined by reference to the net asset value of GPO, which incorporated the fair values of investment properties.

22 Commitments

Investment properties

At 30 June 2014, capital expenditure commitments on the Consolidated Entity's existing investment property portfolio are \$4.7 million (2013: \$nil).

Managed funds

At 30 June 2014, the Consolidated Entity made an equity commitment of \$123.2 million (2013: \$nil) into GELF.

In relation to GAIF and GELF, 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 funds. 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 GAIF each quarter and 2.5% of the issued capital of GELF each quarter. Furthermore, the Consolidated Entity is only required to purchase units where its co-investment in GAIF or GELF is below a prescribed limit. Currently, Goodman Group's interest (together with its custodian's interest) in GAIF and GELF is below the prescribed limit and both liquidity facilities are open for investors.

Furthermore, in respect of certain JVs, Goodman Group and its JV partners have committed to invest further capital, subject to the unanimous approval by the JV partners of the relevant property acquisition and/or development for which the funding is required. The Consolidated Entity's commitment in respect of these JVs is set out below:

- + \$980.4 million (2013: A\$435.0 million) into GNAP; and
- + \$13.9 million (2013: \$23.5 million) into funding other development JVs.

23 Parent Entity disclosures

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

	2014 \$M	2013 \$M
Result of the Parent Entity		
Profit for the year	293.2	81.8
Other comprehensive income	24.1	126.4
Total comprehensive income for the year	317.3	208.2
Financial position of the Parent Entity at year end		
Current assets	1,829.9	1,664.3
Total assets	4,877.1	4,756.0
Current liabilities	166.0	66.4
Total liabilities	166.0	66.4
Total equity of the Parent Entity comprising of:		
Issued capital	7,025.2	6,973.2
Reserves	(283.6)	(314.0)
Accumulated losses	(2,030.5)	(1,969.6)
Total equity	4,711.1	4,689.6

Parent Entity capital commitments

The Parent Entity has no capital commitments (2013: \$nil).

Parent Entity contingencies

Capitalisation Deed Poll

GIT, GL 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 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. As at 30 June 2014, the Consolidated Entity had A\$155.4 million (2013: A\$263.0 million) of debt which had the benefit of the CDP.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 11), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing 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 11), Goodman Funding Pty Limited, a controlled entity of GIT, issued US\$325.0 million, US\$500.0 million and US\$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. 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 the notes.

Goodman PLUS Trust hybrid securities guarantee

Goodman Funds Management Limited, as responsible entity of GIT and GL and GLHK guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS Trust hybrid securities (refer to note 15) under the terms of issue and subscription terms for those securities.

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.

24 Events subsequent to balance date

In the opinion of the Directors, there were no events subsequent to balance date, and up to the date of signature of the consolidated financial report, that would require adjustment or disclosure in the consolidated financial report.

Directors' declaration

Goodman Industrial Trust and its Controlled Entities

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

- (a) the consolidated financial statements and the notes that are set out on pages 112 to 151, 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 2014 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 2014.

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, 14 August 2014



Gregory Goodman

Group Chief Executive Officer

Independent auditor's report to the unitholders of Goodman Industrial Trust



Report on the financial report

We have audited the accompanying financial report of Goodman Industrial Trust (the Trust), which comprises the consolidated statement of financial position as at 30 June 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Goodman Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Consolidated Entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Goodman Industrial Trust is 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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

John Teer
Partner

Sydney, 14 August 2014

Goodman Logistics (HK) Limited

Consolidated financial statements for the year ended 30 June 2014

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Report of the directors

The directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited (the Company) and its subsidiaries (collectively referred to as the Consolidated Entity) for the year ended 30 June 2014.

Incorporation and principal place of business

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong.

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

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, fund management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 14 to the financial statements.

Financial statements

The results of the Consolidated Entity for the year ended 30 June 2014 and the state of the Company and the Consolidated Entity's affairs at that date are set out in the financial report on pages 157 to 187.

No dividends were declared during the year.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 16 to the financial statements. These movements include the transfer of amounts standing in the share premium account to share capital on 3 March 2014. This transfer was done in accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) which abolishes the concept of authorised share capital.

Directors

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

Philip Yan Hok Fan
Ian Douglas Ferrier
Gregory Leith Goodman
Philip John Pearce

State of affairs

The key changes in the Consolidated Entity's state of affairs during the year were as follows:

(a) Establishment of KWASA Goodman Germany (KGG)

On 4 December 2013, the Consolidated Entity and Malaysia's Employees Provident Fund established a fund in Europe, KGG, with an initial combined equity commitment of €500.0 million. KGG was launched through the acquisition of a €213.0 million portfolio of German assets. The Consolidated Entity holds a 30% interest in the fund and will provide management services to the portfolio on terms generally consistent with arrangements across its existing fund management platform.

(b) Investment in Goodman Japan Development Partnership

During the year, the Consolidated Entity subscribed for a 42.5% interest in two entities under the Goodman Japan Development Partnership for a consideration of JPY 4.4 billion (\$47.5 million).

Directors' interests in contracts

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the directors

Continued

Directors' interest in shares

At 30 June 2014, the Company is a member of Goodman Group. As at the end of the year, the directors held the following interests in the stapled securities of Goodman Group, which are listed on the ASX:

Directors	Direct securities	Indirect securities	Total
Mr Philip Yan Hok Fan	17,103	–	17,103
Mr Ian Douglas Ferrier	141,674	–	141,674
Mr Gregory Leith Goodman	506,649	45,076,923	45,583,572
Mr Philip John Pearce	164,798	–	164,798

In addition, Mr Gregory Leith Goodman and Mr Philip John Pearce participate in the Goodman Group Long Term Incentive Plan under which they hold performance rights. Performance rights entitle participants to receive Goodman Group stapled securities without the payment of consideration subject to Goodman Group satisfying performance criteria and the participants remaining employees of Goodman Group.

As at 30 June 2014, Mr Gregory Leith Goodman and Mr Philip John Pearce held the following performance rights:

Executive Directors	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights vested during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Mr Gregory Leith Goodman	–	947,368	–	–	947,368	22 Nov 13	2017 – 2019
	927,152	–	–	–	927,152	16 Nov 12	2016 – 2018
	980,000	–	–	–	980,000	25 Nov 11	2015 – 2017
	730,770	–	(243,590)	–	487,180	1 Feb 11	2014 – 2016
	520,000	–	(260,000)	–	260,000	14 May 10	2013 – 2015
Mr Philip John Pearce	–	394,737	–	–	394,737	22 Nov 13	2017 – 2019
	298,013	–	–	–	298,013	16 Nov 12	2016 – 2018
	200,000	–	–	–	200,000	30 Sep 11	2015 – 2017
	153,847	–	(51,282)	–	102,565	1 Feb 11	2014 – 2016
	152,778	–	(76,389)	–	76,389	14 May 10	2013 – 2015

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other related body corporate.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Subsequent events

In the opinion of the directors, there were no events subsequent to the reporting date, and up to the date of signature of these financial statements, which would require adjustment to or disclosure in the financial statements.

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2014.

By order of the board



Ian Douglas Ferrier, AM
Independent Chairman
Sydney, 14 August 2014



Philip John Pearce
Managing Director, Greater China

Consolidated statement of financial position

as at 30 June 2014

(expressed in Australian dollars)

	Note	Consolidated	
		2014 \$M	2013 \$M
Current assets			
Cash	21(a)	92.6	219.0
Receivables	10	271.9	309.7
Current tax receivables	7(c)	0.2	0.1
Other assets	11	1.6	16.5
Total current assets		366.3	545.3
Non-current assets			
Receivables	10	21.2	132.9
Inventories	12(d)	399.7	290.4
Other financial assets	13	19.6	16.1
Investment properties	12(e)	87.7	82.5
Investments accounted for using the equity method	12(f)	281.7	26.2
Deferred tax assets	7(d)	0.7	1.1
Plant and equipment		6.2	6.3
Other assets	11	0.5	21.1
Total non-current assets		817.3	576.6
Total assets		1,183.6	1,121.9
Current liabilities			
Payables	15	967.3	1,011.3
Current tax payables	7(c)	16.9	17.1
Employee benefits		16.9	2.5
Provisions		0.5	0.2
Total current liabilities		1,001.6	1,031.1
Non-current liabilities			
Payables	15	4.0	1.8
Provisions		1.3	1.5
Total non-current liabilities		5.3	3.3
Total liabilities		1,006.9	1,034.4
Net assets		176.7	87.5
Equity attributable to Shareholders			
Issued share capital	16	614.6	- ¹
Share premium	16	-	606.1
Reserves	17	(540.3)	(548.9)
Retained earnings	18	94.2	24.4
Total equity attributable to Shareholders		168.5	81.6
Non-controlling interests		8.2	5.9
Total equity		176.7	87.5

1. Amounts less than \$0.1 million.

Approved and authorised for issue by the board of directors on 14 August 2014.



Ian Douglas Ferrier, AM
Independent Chairman



Philip John Pearce
Managing Director, Greater China

)
)
) Directors
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The notes on pages 162 to 187 form part of these consolidated financial statements.

Statement of financial position

as at 30 June 2014

(expressed in Australian dollars)

	Note	Consolidated	
		2014 \$M	2013 \$M
Current assets			
Cash	21(a)	1.9	2.5
Receivables	10	26.1	76.5
Total current assets		28.0	79.0
Non-current assets			
Other financial assets	13	65.7	16.1
Investments in subsidiaries	14	579.7	523.4
Total non-current assets		645.4	539.5
Total assets		673.4	618.5
Current liabilities			
Payables	15	26.2	-
Total current liabilities		26.2	-
Total non-current liabilities		-	-
Total liabilities		26.2	-
Net assets		647.2	618.5
Equity attributable to Shareholders			
Issued share capital	16	614.6	- ¹
Share premium	16	-	606.1
Reserves	17	8.1	1.0
Retained earnings	18	24.5	11.4
Total equity attributable to Shareholders		647.2	618.5

1. Amounts less than \$0.1 million.

Approved and authorised for issue by the board of directors on 14 August 2014.



Ian Douglas Ferrier, AM
Independent Chairman



Philip John Pearce
Managing Director, Greater China

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) Directors
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The notes on pages 162 to 187 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June 2014

(expressed in Australian dollars)

	Note	Consolidated	
		2014 \$M	2013 \$M
Revenue			
Gross property income		14.5	5.1
Management income		73.6	22.3
Development income		391.1	67.7
Distributions from investments		0.8	–
		480.0	95.1
Property and development expenses			
Property expenses		(5.9)	(2.0)
Development expenses		(296.6)	(22.4)
		(302.5)	(24.4)
Other income/(losses)			
Net loss from fair value adjustments on investment properties	12(e)	–	(6.7)
Net gain on disposal of investment properties		0.1	–
Share of net results of equity accounted investments	5	19.8	(0.5)
		19.9	(7.2)
Other expenses			
Employee expenses		(49.0)	(27.3)
Share based payments expense	5	(13.8)	(3.8)
Administrative and other expenses		(21.1)	(10.1)
Impairment losses	5	(0.5)	(2.1)
		(84.4)	(43.3)
Profit before interest and tax	5	113.0	20.2
Net finance (expense)/income			
Finance income	6	2.2	4.1
Finance expense	6	(25.7)	(7.8)
Net finance expense		(23.5)	(3.7)
Profit before income tax		89.5	16.5
Income tax expense	7(a)	(4.5)	(1.3)
Profit for the year		85.0	15.2
Profit for the year attributable to:			
Shareholders	18	82.8	13.9
Non-controlling interests		2.2	1.3
Profit for the year		85.0	15.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Increase due to revaluation of other financial assets	13	4.9	–
Effect of foreign currency translation		(11.4)	(0.7)
Other comprehensive income for the year		(6.5)	(0.7)
Total comprehensive income for the year		78.5	14.5
Total comprehensive income for the year attributable to:			
Shareholders		76.2	12.6
Non-controlling interests		2.3	1.9
Total comprehensive income for the year		78.5	14.5

The notes on pages 162 to 187 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2014

(expressed in Australian dollars)

Year ended 30 June 2013

Consolidated

	Note	Attributable to Shareholders				Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued share capital ¹ \$M	Share premium \$M	Reserves \$M	Retained earnings \$M			
Balance at 1 July 2012		-	-	-	-	-	-	-
Total comprehensive income for the year								
Profit for the year	18	-	-	-	13.9	13.9	1.3	15.2
Other comprehensive income for the year		-	-	(1.3)	-	(1.3)	0.6	(0.7)
Total comprehensive income for the year, net of income tax		-	-	(1.3)	13.9	12.6	1.9	14.5
Transfers		-	-	(10.5)	10.5	-	-	-
Contributions by and distributions to owners								
- Issue of shares to GIT	16	-	561.8	-	-	561.8	-	561.8
- Issue of shares under an Institutional Placement	16	-	40.0	-	-	40.0	-	40.0
- Issue of shares under an Security Purchase Plan	16	-	4.9	-	-	4.9	-	4.9
- Issue costs	16	-	(0.6)	-	-	(0.6)	-	(0.6)
- Equity settled share based payments transaction	17(c)	-	-	1.0	-	1.0	-	1.0
Changes in ownership interests in subsidiaries								
- Acquisition of entities from Goodman Group	3	-	-	(538.1)	-	(538.1)	4.0	(534.1)
Balance at 30 June 2013		-	606.1	(548.9)	24.4	81.6	5.9	87.5

1. Amounts less than \$0.1 million.

Year ended 30 June 2014

Consolidated

	Note	Attributable to Shareholders				Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued share capital ¹ \$M	Share premium \$M	Reserves \$M	Retained earnings \$M			
Balance at 1 July 2013		-	606.1	(548.9)	24.4	81.6	5.9	87.5
Total comprehensive income for the year								
Profit for the year	18	-	-	-	82.8	82.8	2.2	85.0
Other comprehensive income for the year		-	-	(6.6)	-	(6.6)	0.1	(6.5)
Total comprehensive income for the year, net of income tax		-	-	(6.6)	82.8	76.2	2.3	78.5
Transfers		-	-	13.0	(13.0)	-	-	-
Contributions by and distributions to owners								
- Issue of shares under Goodman Group's dividend reinvestment plan (DRP)	16	-	5.4	-	-	5.4	-	5.4
- Issue of shares to employees of Goodman Group under the Long Term Incentive Plan (LTIP)	16	-	3.1	-	-	3.1	-	3.1
- Reclassification due to abolishment of authorised share capital on 3 March 2014, net of accumulated issue costs	16	614.6	(614.6)	-	-	-	-	-
- Equity settled share based payments transaction	17(c)	-	-	2.2	-	2.2	-	2.2
Balance at 30 June 2014		614.6	-	(540.3)	94.2	168.5	8.2	176.7

The notes on pages 162 to 187 form part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2014

(expressed in Australian dollars)

	Note	Consolidated	
		2014 \$M	2013 \$M
Cash flows from operating activities			
Property income received		9.9	6.2
Cash receipts from development activities		546.6	220.2
Other cash receipts from services provided		71.1	31.2
Property expenses paid		(4.6)	(2.2)
Payments for development activities		(542.4)	(178.4)
Other cash payments in the course of operations		(83.2)	(32.0)
Dividends/distributions received		2.3	–
Interest received		0.2	–
Finance costs paid		(0.4)	(3.3)
Net income taxes paid		(5.3)	(3.0)
Net cash (used in)/provided by operating activities	21(b)	(5.8)	38.7
Cash flows from investing activities			
Proceeds from disposal of investment properties		0.1	2.2
Payments for investment properties		(0.5)	(8.0)
Capital return from equity investments		0.9	70.2
Payments for equity investments		(96.5)	(88.1)
Payments for plant and equipment		(0.5)	–
Payments for controlled entities, net of cash acquired		–	129.8
Net cash (used in)/provided by investing activities		(96.5)	106.1
Cash flows from financing activities			
Net (payment of)/proceeds from loans with related parties		(27.7)	51.6
Net cash (used in)/provided by financing activities		(27.7)	51.6
Net (decrease)/increase in cash held		(130.0)	196.4
Cash at the beginning of the year		219.0	–
Effect of exchange rate fluctuations on cash held		3.6	22.6
Cash at the end of the year	21(a)	92.6	219.0

The notes on pages 162 to 187 form part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Statement of significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The Company has not applied any new amendments or standards that are not yet effective for the current year. A summary of the significant accounting policies adopted by the Company and the Consolidated Entity is set out below.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for investment properties and other financial assets which are stated at fair value.

As at 30 June 2014, the Consolidated Entity had net current liabilities of \$635.3 million. In accordance with the stapling agreement between the Company, GL and Goodman Funds Management Limited as responsible entity for GIT, on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

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

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

On the basis of the above, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a controlled entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. When an entity ceases to be controlled by the Company, it is accounted for as a disposal of the entire interest in the entity, with a resulting gain or loss being recognised in the statement of comprehensive income.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

Associates

Associates are those entities 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 statement of comprehensive income 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.

Joint ventures

A joint venture (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 statement of comprehensive income from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

In the Company's statement of financial position, investments in JVs are accounted for as an available for sale asset; refer to note 1(h).

Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss and no goodwill is recognised as a result of such transactions.

1 Statement of significant accounting policies continued

Transactions eliminated on consolidation

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

Combination of entities or businesses under common control

Where the Consolidated Entity acquires entities or businesses from other members of Goodman Group such that all of the combining entities (businesses) are ultimately controlled by Goodman Group Securityholders both before and after the combination, the Consolidated Entity applies the pooling of interests method.

At the date of the combination of entities under common control, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities that would otherwise be done under the acquisition method. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration transferred and the equity acquired by the Consolidated Entity is reflected within equity (common control reserve).

Similar to the acquisition method, the results of the acquired entity are included only from the date control commenced. Comparatives are not restated to present the consolidated financial statements as if the entities had always been combined.

(d) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates applicable at the reporting date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

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

(e) Investment properties and gross property income

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at their fair value.

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial statements. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, if applicable. Where a contract of purchase includes a deferred payment arrangement, the acquisition value is determined as the cash consideration payable in the future, discounted to present value at the date of acquisition. Costs of development include the costs of all materials used in construction, costs of managing the project, holding costs and borrowing costs incurred during the development period.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight-line basis. The amortisation is applied to reduce gross property income.

Expenditure on direct leasing and tenancy costs is deferred and included within investment property values. Direct leasing and tenancy costs are amortised over the term of the lease in proportion to the rental income recognised in each financial year.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies

(e) Investment properties and gross property income continued

Stabilised investment properties

Stabilised investment properties are completed investment properties that are capable of earning rental income. An independent valuation of stabilised investment properties is obtained at least every three years to use as a basis for measuring the fair value of the properties. The independent registered valuers determine the market value based on market evidence and assuming a willing, but not anxious, buyer and seller, a reasonable period to sell the property, and the property being reasonably exposed to the market.

At each balance date occurring between obtaining independent valuations, the directors review the carrying value of the Consolidated Entity's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties reflects the fair value of the investment properties at that date. Changes in fair value are recognised directly in the statement of comprehensive income. The net of unrealised revaluations from investment properties is transferred to the asset revaluation reserve from retained earnings.

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.

Investment properties under development

Investment properties under development include land, new investment properties in the course of construction and investment properties that are being redeveloped. Property under development for future use as an investment property is measured at fair value.

Deposits for investment properties

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

Disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the property at the time of the disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the statement of comprehensive income in the period of disposal. Any previously unrealised valuation gains or losses are transferred from the asset revaluation reserve to retained earnings.

(f) Management income

Fee income derived from fund management and property services is recognised progressively as the services are provided. Any performance related fund management income is recognised on attainment of the performance related conditions.

(g) Development activities

Development income

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

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

Certain development management arrangements are assessed as being fixed price construction contracts rather than a rendering of services. Revenue and expenses relating to construction contracts are recognised in the statement of comprehensive income in proportion to the stage of completion of the relevant contracts. The stage of completion is assessed by reference to costs incurred to date as a percentage of estimated total costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

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

Construction contract receivables

Construction contract receivables, which are presented in receivables in the statement of financial position, are stated at cost plus profit recognised to date less an allowance for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred, relating to the Consolidated Entity's construction contract activities based on normal operating activity.

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.

1 Statement of significant accounting policies continued

(h) Financial instruments

Non-derivative financial assets

The Consolidated Entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 1(j)), are recognised in the statement of comprehensive income and presented in the asset revaluation reserve in equity. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available for sale financial assets comprise investments in equity securities (other financial assets).

Non-derivative financial liabilities

The Consolidated Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

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

The Consolidated Entity has classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise interest bearing liabilities, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Issued capital

Ordinary shares

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

(i) 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 yield basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs.

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

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies

(j) Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except investment properties, refer to note 1(e); inventories, refer to note 1(g); and deferred tax assets, refer to note 1(o)) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the statement of comprehensive income in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated to the carrying amount of any identified intangible asset and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the financial asset is written down to the present value of the estimated future cash flows discounted at the original effective interest rate, or in the case of an available for sale financial asset, to its fair value. The impairment is recognised in profit or loss in the reporting period in which it occurs.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is transferred to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses, other than those referred to above, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows are discounted to their present value.

(k) Provisions

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

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

Dividends payable

Provisions for dividends payable are recognised in the reporting period in which the dividends are declared.

Rental guarantees

A provision for rental guarantees is recognised when it is expected that the Consolidated Entity will be obliged to make payments in the future to meet rental income targets guaranteed to third parties under the terms of asset disposal contracts. The provision is measured at the present value of the estimated future payments.

(l) Segment reporting

The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Goodman Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

1 Statement of significant accounting policies continued

Segment results that are reported to the Goodman Group Chief Executive Officer include items that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Unallocated items include fair value adjustments and impairments, interest and tax expense, interest bearing receivables and payables, receivables from and payables to GL and GIT, provision for dividends to Shareholders, corporate assets, head office expenses and income tax assets and liabilities.

(m) Related parties

- (i) A person, or a close member of that person's family, is related to the Company if that person:
 - (1) has control or joint control over the Company;
 - (2) has significant influence over the Company;
 - (3) is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions applies:
 - (1) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (2) one entity is an associate or JV of the other entity (or an associate or JV of a member of a group of which the other entity is a member);
 - (3) both entities are JVs of the same third party;
 - (4) one entity is a JV of a third entity and the other entity is an associate of the third entity;
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (6) the entity is controlled or jointly controlled by a person identified in (i); or
 - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(n) Employee benefits

Wages, salaries and annual leave

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

Defined contribution superannuation funds

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

Share based payment transactions

The fair value of rights and options over stapled securities, granted to employees of the Consolidated Entity by Goodman Group, at the grant date is recognised as a share based payment expense in the results of the Consolidated Entity with a corresponding increase in equity. The share based payment expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of rights or options for which the related service and non-market vesting conditions are expected to be met. The fair values of rights and options are measured at the grant date using a combination of Monte Carlo simulations and Black Scholes pricing models.

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(p) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Consolidated Entity. Of these, the following developments are relevant to the Consolidated Entity's financial statements:

- + Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*;
- + HKFRS 10, *Consolidated financial statements*;
- + HKFRS 11, *Joint arrangements*;
- + HKFRS 12, *Disclosure of interests in other entities*; and
- + HKFRS 13, *Fair value measurement*.

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly on page 159.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies

(p) Changes in accounting policies continued

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The Consolidated Entity assessed the impact of the new accounting standard on its principal equity accounted investments and concluded the adoption does not change any of the control conclusions reached by the Consolidated Entity in respect of its involvement with other entities as at 1 July 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Consolidated Entity's financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The Consolidated Entity assessed the impact of the new accounting standard on its joint arrangements and concluded the joint arrangements should be classified as joint ventures and continue to be accounted for using the equity method.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in note 12(f).

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial assets and liabilities. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in notes 12(c), 12(e) and 22(d). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Consolidated Entity's assets and liabilities.

(q) Accounting standards issued but not yet effective

Up to the date of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 30 June 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Consolidated Entity:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKAS 39, <i>Novation of derivatives and continuation of hedge accounting</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Consolidated Entity is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. 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 12 – Property assets; and
- + Note 22 – 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 12 – Property assets; and
- + Note 22 – Financial risk management.

3. Acquisition of entities from Goodman Group

In the prior year, the Company acquired subsidiaries in Greater China and Continental Europe from GL and GIT as set out below:

(a) Acquisition of entities in Greater China

Entity acquired	Principal activity	Date of acquisition
Goodman China Limited	Property management and development management consultancy services	11 Sep 2012
Goodman China Asset Management Limited	Fund management	22 Oct 2012
Goodman Developments Asia	Investment and property development	28 Jun 2013
Goodman Asia Limited	Fund and property management services	28 Jun 2013

(b) Acquisition of entities in Continental Europe

Entity acquired	Principal activity	Date of acquisition
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	21 Sep 2012
GELF Management (Lux) Sàrl	Fund management	21 Sep 2012
GPO Advisory (Lux) Sàrl	Property management services	21 Sep 2012
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	21 Sep 2012

The Company applied the pooling of interest method to account for the acquisition of subsidiaries from GL and GIT (refer to note 1(c)). The difference between the consideration paid and carrying value of the net assets of the entities acquired, amounting to \$538.1 million, was transferred to the common control reserve.

4. Segment reporting

The Consolidated Entity is based in Hong Kong and has separately managed divisions in Asia and Continental Europe. The activities and services undertaken by the divisions include:

- + direct and indirect ownership of investment properties;
- + fund management and property services; and
- + development.

Information about reportable segments

Consolidated statement of comprehensive income	Asia		Continental Europe		Total	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
External revenues						
Gross property income	3.3	–	11.2	5.1	14.5	5.1
Management income	38.8	3.3	34.8	19.0	73.6	22.3
Development income	28.8	6.4	362.3	61.3	391.1	67.7
Distributions from investments	0.8	–	–	–	0.8	–
Total external revenues	71.7	9.7	408.3	85.4	480.0	95.1
Reportable segment profit before tax	58.7	6.1	71.8	38.1	130.5	44.2
Other material non-cash items not included in reportable segment profit before tax						
Net loss from fair value adjustments on investment properties	–	–	–	(6.7)	–	(6.7)
Share of net gains/(losses) from fair value adjustments in equity accounted investments	12.2	–	(1.5)	(0.8)	10.7	(0.8)
Impairment losses	–	–	(0.5)	(2.1)	(0.5)	(2.1)
Other key components of financial performance included in reportable segment profit before tax						
Share of net results of equity accounted investments (before fair value adjustments)	7.0	–	2.1	0.3	9.1	0.3

Notes to the consolidated financial statements

Continued

4. Segment reporting continued

Consolidated statement of financial position	Asia		Continental Europe		Total	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Reportable segment assets	685.6	494.9	455.3	546.4	1,140.9	1,041.3
Investments accounted for using the equity method (included in reportable segment assets)	225.9	20.2	55.8	6.0	281.7	26.2
Total non-current assets	463.8	325.3	353.5	251.3	817.3	576.6
Reportable segment liabilities	43.3	55.2	57.4	75.7	100.7	130.9

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

	2014 \$M	2013 \$M
Revenue		
Total revenue for reportable segments	480.0	95.1
Consolidated revenue	480.0	95.1
Profit or loss		
Total profit before tax for reportable segments	130.5	44.2
Other non-cash items not included in reportable segment profit before tax	10.2	(9.6)
Unallocated amounts: other corporate expenses	(13.9)	(10.6)
Unallocated amounts: share based payments expense	(13.8)	(3.8)
Net finance expense – refer to note 6	(23.5)	(3.7)
Consolidated profit before income tax	89.5	16.5
	2014 \$M	2013 \$M
Assets		
Total assets for reportable segments	1,140.9	1,041.3
Other unallocated amounts ¹	42.7	80.6
Consolidated total assets	1,183.6	1,121.9
Liabilities		
Total liabilities for reportable segments	100.7	130.9
Other unallocated amounts ¹	906.2	903.5
Consolidated total liabilities	1,006.9	1,034.4

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

5. Profit before interest and tax

	Consolidated	
	2014 \$M	2013 \$M
Profit before interest and tax has been arrived at after crediting/(charging) the following items:		
Share of net results of equity accounted investments	19.8	(0.5)
Share based payments expense	(13.8)	(3.8)
Depreciation of plant and equipment	(1.7)	(0.9)
Impairment losses on receivables	(0.5)	(2.1)
Auditor's remuneration	(0.6)	(0.3)
Salaries, wages and other benefits	(48.2)	(26.8)
Contributions to defined contribution retirement plans	(0.8)	(0.5)
Operating lease expense	(5.9)	(2.6)

6. Finance income and expense

	Consolidated	
	2014 \$M	2013 \$M
Finance income		
Interest income on loans to:		
– Related parties	2.0	2.2
– Other parties	0.2	–
Foreign exchange gain	–	1.9
	2.2	4.1
Finance expense		
Interest expense on loans from related parties	(43.8)	(14.6)
Other borrowing costs	(0.5)	(0.4)
Foreign exchange loss	(0.4)	–
Capitalised borrowing costs	19.0	7.2
	(25.7)	(7.8)
Net finance expense	(23.5)	(3.7)

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 4.5% and 5.8% per annum (2013: 3.0% and 3.7% per annum).

7. Income tax expense

(a) Taxation in the consolidated statement of comprehensive income represents:

	Consolidated	
	2014 \$M	2013 \$M
Current tax expense – Hong Kong profits tax		
Current year	(1.7)	(0.1)
Adjustment for prior periods	0.7	–
	(1.0)	(0.1)
Current tax expense – overseas		
Current year	(3.5)	(1.1)
Adjustment for prior periods	0.3	–
	(3.2)	(1.1)
Deferred tax expense		
Origination and reversal of temporary differences	0.2	(0.1)
Derecognition of previously recognised tax losses	(0.5)	–
	(0.3)	(0.1)
Total income tax expense	(4.5)	(1.3)

The provision for Hong Kong profits tax for the 2014 financial year is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates

	Consolidated	
	2014 \$M	2013 \$M
Profit before income tax	89.5	16.5
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(26.3)	(4.8)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(6.6)	(5.5)
– Non-assessable income	28.7	9.7
– Non-deductible expense	(3.6)	(0.7)
– Utilisation of previously unrecognised tax losses	2.3	–
– Adjustment for prior periods	1.0	–
Income tax expense	(4.5)	(1.3)

Notes to the consolidated financial statements

Continued

7. Income tax expense continued

(c) Net income tax payable

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Net balance at the beginning of the year	(17.0)	–	–	–
(Increase)/decrease in current net tax payable due to:				
– Acquisition of controlled entities	–	(16.9)	–	–
– Net income taxes paid	5.3	3.0	–	–
– Net income tax expense on current year's profit	(5.2)	(1.2)	–	–
– Adjustment for prior periods	1.0	–	–	–
– Other	(0.8)	(1.9)	–	–
Net balance at the end of the year	(16.7)	(17.0)	–	–
Current tax receivables	0.2	0.1	–	–
Current tax payables	(16.9)	(17.1)	–	–
	(16.7)	(17.0)	–	–

(d) Deferred tax assets and liabilities

Deferred tax assets of \$0.7 million (2013: \$1.1 million) arising from tax losses were recognised in the consolidated statement of financial position.

No deferred tax has been recorded by the Company in the current year (2013: \$nil).

8. Dividends

No dividends were declared or paid to equity shareholders of the Company during the year (2013: \$nil).

9. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$13.1 million (2013: \$11.4 million) which has been dealt with in the financial statements of the Company.

10. Receivables

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Current				
Trade receivables	5.7	7.3	–	–
Other receivables	53.6	61.0	–	–
Construction contract receivables	60.8	133.4	–	–
Amounts due from related parties	109.1	27.4	–	76.5
Loans to related parties	42.7	80.6	26.1	–
	271.9	309.7	26.1	76.5
Non-current				
Loans to related parties	21.2	130.5	–	–
Other receivables	–	2.4	–	–
	21.2	132.9	–	–

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the reporting date. There is no material difference between the carrying values and the fair values of receivables.

Trade receivables

As at 30 June 2014, trade receivables of \$0.1 million were impaired (2013: \$nil). The ageing analysis of these trade receivables (before impairment) is as follows:

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Overdue by:				
Up to 1 month	–	0.2	–	–
1 month to 4 months	–	0.5	–	–
Greater than 4 months	0.1	0.3	–	–
	0.1	1.0	–	–

10. Receivables continued

Other receivables

At 30 June 2014, none of the other receivables balance was overdue or impaired (2013: \$nil).

Amounts due from related parties

At 30 June 2014, none of the amounts due from related parties was overdue or impaired (2013: \$nil). Amounts due from related parties are typically repayable within 30 days but at 30 June 2014, the balance includes an amount of \$94.3 million due from Goodman China Logistics Holding Limited (GCLH) in relation to development activities that is only due and payable on completion of the developments. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and loans to associates and JVs. Refer to note 19(b) for details of loans to related parties. At 30 June 2014, loans to related parties of \$9.4 million have been impaired (2013: \$8.9 million). The loans to related parties are unsecured.

11. Other assets

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Current				
Prepayments	1.6	16.5	–	–
	1.6	16.5	–	–
Non-current				
Other property assets	0.5	21.1	–	–
	0.5	21.1	–	–

12. Property assets

(a) Types of property assets

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

The Consolidated Entity holds both investment properties and inventories either directly or through its investments in managed funds (both associates and JVs).

Investment properties are carried at fair value and inventories are carried at the lower of cost or net realisable value. The calculation of both fair value and 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of investment properties and inventories (both directly held and in managed funds) are set out below.

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

	Note	Consolidated		Company	
		2014 \$M	2013 \$M	2014 \$M	2013 \$M
Directly held property:					
Inventories					
Current		–	–	–	–
Non-current	12(d)	399.7	290.4	–	–
		399.7	290.4	–	–
Investment properties					
Stabilised investment properties	12(e)	39.6	39.4	–	–
Investment properties under development	12(e)	48.1	43.1	–	–
		87.7	82.5	–	–
Property held by managed funds:					
Investments accounted for using the equity method					
Associates	12(f)	–	20.2	–	–
JVs	12(f)	281.7	6.0	–	–
		281.7	26.2	–	–

Notes to the consolidated financial statements

Continued

12. Property assets continued

(c) Estimates and assumptions in determining property carrying values

Inventories

Inventories relate to land and property developments that are held for sale or development and sale in the normal course of the Consolidated Entity's business.

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

Stabilised investment properties

Stabilised investment properties refer to investment properties which are not under development. Stabilised investment properties are carried at their fair value. Fair value is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both properties held directly on the Consolidated Entity's statement of financial position and properties within funds managed by the Consolidated Entity.

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

External valuations are undertaken only where market segments were observed to be active. Such a determination is made based on the criteria set out below:

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

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

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

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

Market assessment

At 30 June 2014, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. Overall weighted average capitalisation rates for the divisional portfolios (including managed funds) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2014 %	2013 %
China	8.4	8.7
Logistics – Continental Europe	7.2	7.9

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the Consolidated Entity's feasibility studies supporting the properties under development. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 10.0% to 15.0%.

12. Property assets continued

(d) Inventories

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Development land	399.7	290.4	–	–
	399.7	290.4	–	–

During the current and prior financial year, there were no impairments of development land.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Carrying amount at the beginning of the year	82.5	–	–	–
On acquisition of controlled entities	–	77.5	–	–
Capital expenditure	2.8	10.3	–	–
Carrying value of properties sold	–	(2.2)	–	–
Transfers to inventories	–	(5.1)	–	–
Net loss from fair value adjustments	–	(6.7)	–	–
Effect of foreign currency translation	2.4	8.7	–	–
Carrying amount at the end of the year	87.7	82.5	–	–
<i>Analysed as:</i>				
Stabilised investment properties	39.6	39.4	–	–
Investment properties under development	48.1	43.1	–	–
	87.7	82.5	–	–

At 30 June 2014, all the Consolidated Entity's investment properties are located in Continental Europe.

Measurement of fair value

(i) Fair value hierarchy

Investment properties comprise stabilised investment properties and investment properties under development. The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (refer to note 1(e) and note 2).

(ii) Valuation techniques and inputs used in Level 3 fair value measurements

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

	Valuation technique	Significant unobservable inputs	Weighted average
Investment properties – Continental Europe	Income capitalisation approach	Market rent per annum Capitalisation rate	A\$250/sqm 7.7%

The estimated fair value would increase if 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.

Notes to the consolidated financial statements

Continued

12. Property assets continued

(f) Investments accounted for using the equity method

(i) Investments in associates

The Consolidated Entity's investment in associate is set out below:

Name	Country of incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property development associate							
GCLH ¹	Cayman Islands	–	–	–	20.0	–	20.2

1. During the year, the directors reassessed the classification of the investment in GCLH and the investment has been reclassified from investment in an associate to investments in JVs. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Consolidated Entity.

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

Movements in carrying amount of investment in an associate	Consolidated	
	2014 \$M	2013 \$M
Carrying amount at the beginning of the year	20.2	–
Transfer to investments in JVs	(20.2)	–
Acquisitions	–	18.3
Effect of foreign currency translation	–	1.9
Carrying amount at the end of the year	–	20.2

Summary financial information of investment in an associate

The table below includes further information regarding the Consolidated Entity's investment in an associate.

	GCLH	
	2014 \$M	2013 \$M
Summarised statement of financial position		
Total current assets	–	81.6
Total non-current assets	–	704.8
Total current liabilities	–	34.1
Total non-current liabilities	–	640.2
Net assets (100%)	–	112.1
Consolidated ownership interest	–	20.0%
Consolidated share of net assets	–	22.4
Acquisition costs	–	2.0
Foreign currency translation reserve	–	(4.2)
Carrying amount of interest in investment in associate	–	20.2
Summarised statement of comprehensive income		
Revenue	–	22.0
Profit after tax and revaluations	–	33.1
Other comprehensive income	–	–
Total comprehensive income (100%)	–	33.1
Dividends received by the Consolidated Entity	–	0.4

12. Property assets continued

(f) Investments accounted for using the equity method

(ii) Investments in JVs

The Consolidated Entity's principal JVs are set out below:

Name	Country of incorporation	Consolidated share of JVs result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment JVs							
GCLH ¹	Cayman Islands	19.2	–	20.0	–	179.9	–
KGG	Luxembourg	2.2	–	30.0	–	50.0	–
Goodman Japan Development Partnership (GJDP)	Japan	–	–	42.5	–	46.0	–
Other JVs		(1.6)	(0.5)			5.8	6.0
		19.8	(0.5)			281.7	6.0

1. Refer to note 12(f)(i).

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

	Consolidated	
	2014 \$M	2013 \$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	6.0	–
Share of net results after tax (before revaluations)	9.1	0.3
Share of fair value adjustments on investment properties	10.7	(0.8)
Share of net results after tax	19.8	(0.5)
Transfer from investment in an associate	20.2	–
Reclassification of loan to GCLH ¹	110.6	–
Acquisitions:		
– On acquisition of controlled entities	–	1.2
– Other acquisitions	134.8	76.6
Capital return	–	(70.2)
Reclassified to other financial assets	–	(1.8)
Distributions received and receivable	(1.4)	–
Effect of foreign currency translation	(8.3)	0.7
Carrying amount at the end of the year	281.7	6.0

1. During the year, the directors reviewed the classification of the loan provided to GCLH and determined that it would be more appropriate to include the receivable balance as part of the equity accounted investment in the JV.

Summary financial information of JVs

The following table summarises the financial information of the material JVs as included in their own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Consolidated Entity's interest in the JVs.

Notes to the consolidated financial statements

Continued

12. Property assets continued

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

	GCLH		KGG		GJDP	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	92.7	–	8.8	–	12.2	–
Other current assets	7.5	–	2.4	–	–	–
Total current assets	100.2	–	11.2	–	12.2	–
Total non-current assets	1,022.2	–	311.3	–	96.5	–
Current liabilities						
Other current liabilities	59.1	–	4.2	–	0.4	–
Total current liabilities	59.1	–	4.2	–	0.4	–
Non-current liabilities						
Financial liabilities (excluding trade payables and other provisions)	134.5	–	153.9	–	–	–
Other non-current liabilities	48.9	–	–	–	–	–
Total non-current liabilities	183.4	–	153.9	–	–	–
Net assets (100%)	879.9	–	164.4	–	108.3	–
Consolidated ownership interest (%)	20.0	–	30.0	–	42.5	–
Consolidated Entity's share of net assets	176.0	–	49.3	–	46.0	–
Acquisition costs	3.9	–	0.7	–	–	–
Carrying amount of interest in JV	179.9	–	50.0	–	46.0	–
Summarised statement of comprehensive income						
Revenue	42.8	–	11.7	–	–	–
Interest income	0.2	–	–	–	–	–
Interest expense	(5.6)	–	(2.6)	–	–	–
Income tax expense	(4.0)	–	(0.7)	–	–	–
Profit and total comprehensive income (100%)	95.8	–	7.2	–	–	–
Consolidated Entity's share of profit and total comprehensive income	19.2	–	2.2	–	–	–
Distributions and dividends received by the Consolidated Entity	0.7	–	0.7	–	–	–

13. Other financial assets

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Available for sale equity securities				
Investment in unlisted securities, at fair value ¹	19.6	16.1	19.6	16.1
Investment in JV, at fair value	–	–	46.1	–
	19.6	16.1	65.7	16.1

1. Principally relates to the Consolidated Entity's 10.0% (2013: 10.0%) interest in Goodman Japan Limited. During the current financial year, a fair value gain of \$4.9 million on investment in unlisted securities was recognised in other comprehensive income. Refer to note 22 for assumptions made in measuring fair value of the unlisted securities.

14. Investments in subsidiaries

	Company	
	2014 \$M	2013 \$m
Unlisted shares, at cost	579.7	523.4
Less: Impairment loss	–	–
	579.7	523.4

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Consolidated Entity. The class of shares held is ordinary unless otherwise stated.

Significant controlled companies	Principal activities	Country of incorporation	Interest held	
			2014 %	2013 %
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
Goodman Asia Limited	Fund and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman China Asset Management Limited	Fund management	Cayman Islands	100.0	100.0
GELF Management (Lux) Sàrl	Fund management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0

15. Payables

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Current				
Trade payables	29.1	42.5	–	–
Other payables and accruals	52.9	77.5	2.7	–
Loans from related parties	885.3	891.3	23.5	–
	967.3	1,011.3	26.2	–
Non-current				
Other payables and accruals	4.0	1.8	–	–
	4.0	1.8	–	–

Loans from related parties

Loans from related parties principally relate to loans from subsidiaries of GL and GIT. Refer to note 19(b) for details of loans from related parties.

Notes to the consolidated financial statements

Continued

16. Share capital

	2014	2013	2014	2013
	Number of shares		\$M	\$M
Authorised share capital – refer to (a)				
Ordinary shares of HK\$0.0001 each – refer to (b)	–	100,000,000,000	–	1
Ordinary shares, issued and fully paid				
At 1 July	1,713,233,947	1	– ¹	– ¹
Shares issued to CHES Depositary Nominees Pty Limited	–	1,605,107,474	–	– ¹
Shares issued to employees of Goodman Group	5,508,862	2,456,129	– ¹	– ¹
Shares issued under Goodman Group’s DRP	8,943,167	–	– ¹	–
Shares issued under Goodman Group’s Institutional Placement	–	94,117,700	–	– ¹
Shares issued under the Security Purchase Plan	–	11,552,643	–	– ¹
At 30 June	1,727,685,976	1,713,233,947	–¹	–¹
Share premium			615.2	606.7
Reclassification due to abolishment of authorised share capital on 3 March 2014 – refer to (c)			(615.2)	–
Share capital			615.2	–
Accumulated issue costs			(0.6)	(0.6)
Total issued share capital			614.6	606.1

1. Amounts less than \$0.1 million.

(a) Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company’s shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) In accordance with the transition provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company’s share capital.

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

On 22 August 2012, GIT paid a subscription amount of HK\$4,567,164,781 (\$561.8 million) for the issue of 1,605,107,474 shares by the Company to CHES Depositary Nominees Pty Limited (CDN) (in addition to the one share already held). CDN issued corresponding CHES Depositary Interests (CDIs) to GIT. Later that day, GIT carried out a distribution in specie of all its CDI interests to its unitholders so that the CDIs were stapled to each GIT unit and GL share.

17. Reserves

	Note	Consolidated		Company	
		2014 \$M	2013 \$M	2014 \$M	2013 \$M
Asset revaluation reserve	17(a)	7.4	(10.5)	4.9	–
Foreign currency translation reserve	17(b)	(12.8)	(1.3)	–	–
Employee compensation reserve	17(c)	3.2	1.0	3.2	1.0
Common control reserve	17(d)	(538.1)	(538.1)	–	–
Total reserves		(540.3)	(548.9)	8.1	1.0

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

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
(a) Asset revaluation reserve				
Balance at the beginning of the year	(10.5)	–	–	–
Increase due to revaluation of other financial assets	4.9	–	4.9	–
Transfers from retained earnings	13.0	(10.5)	–	–
Balance at the end of the year	7.4	(10.5)	4.9	–

Refer to note 1(e) for the accounting policy relating to this reserve.

(b) Foreign currency translation reserve				
Balance at the beginning of the year	(1.3)	–	–	–
Net exchange differences on conversion of foreign operations	(11.5)	(1.3)	–	–
Balance at the end of the year	(12.8)	(1.3)	–	–

Refer to note 1(d) for the accounting policy relating to this reserve.

(c) Employee compensation reserve				
Balance at the beginning of the year	1.0	–	1.0	–
Equity settled share based payments transaction	2.2	1.0	2.2	1.0
Balance at the end of the year	3.2	1.0	3.2	1.0

Refer to note 1(n) for the accounting policy relating to this reserve.

(d) Common control reserve				
Balance at the beginning of the year	(538.1)	–	–	–
Acquisition of entities from Goodman Group	–	(538.1)	–	–
Balance at the end of the year	(538.1)	(538.1)	–	–

Refer to note 1(c) for the accounting policy relating to this reserve.

18. Retained earnings

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Balance at the beginning of the year	24.4	–	11.4	–
Profit for the year	82.8	13.9	13.1	11.4
Transfers to asset revaluation reserve	(13.0)	10.5	–	–
Balance at the end of the year	94.2	24.4	24.5	11.4

Notes to the consolidated financial statements

Continued

19. Related party transactions

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) is as follows:

	Consolidated	
	2014 \$M	2013 \$M
Directors' fees	0.8	0.7
Salaries, allowances and benefits in kind	2.0	1.9
Discretionary bonuses	3.8	3.8
Retirement scheme contribution	–	0.1
Share based payments	3.5	2.7
	10.1	9.2

(b) Transactions with related parties

Transactions and amounts due from related parties

	Revenue from disposal of assets		Management services and development activities income		Amounts due from related parties	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
JVs						
GCLH	16.8	–	29.6	9.6	94.3	–
KGG	103.2	–	4.0	–	0.7	–
	120.0	–	33.6	9.6	95.0	–

Related parties of GL and GIT

Goodman Hong Kong Logistics Fund	–	–	20.5	–	4.5	3.3
Goodman Trust Australia	–	–	2.0	1.9	0.3	0.4
Goodman European Logistics Fund	120.8	9.8	29.6	22.8	8.4	21.8
Goodman Princeton Holdings (Lux) Sàrl	83.0	7.2	1.8	0.9	0.5	1.1
Other related parties	–	–	1.4	1.4	0.4	0.8
	203.8	17.0	55.3	27.0	14.1	27.4

(b) Transactions with related parties

Financing arrangements with related parties

	Loans to related parties ¹		Loans from related parties ¹		Interest income/ (expense) charged on loans to/from related parties	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M	2014 \$M	2013 \$M
JVs						
GCLH	–	110.6	–	–	–	–
Üllő One 2008 Kft	4.3	5.9	–	–	0.3	0.2
Üllő Two 2008 Kft	2.1	1.9	–	–	0.1	0.1
Other JVs	4.0	–	–	–	0.2	–
	10.4	118.4	–	–	0.6	0.3
GL, GIT and their controlled entities	42.7	80.6	(885.3)	(891.3)	(43.8)	(14.6)
Related parties of GL and GIT	10.8	12.1	–	–	1.4	1.9

1. Loans by the Consolidated Entity to/from associates, JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2014, details in respect of the principal loan balances are set out below:

- + the shareholders in GCLH have provided interest free loans to GCLH in proportion to their respective equity interests. This loan, which was included in loans to related parties in the prior year, was reclassified to investments in JVs in the current year (refer to note 12(f)(ii));
- + a shareholder loan of \$9.6 million (2013: \$8.8 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Logistics Fund, and incurred interest at 6.9% per annum;
- + loans from subsidiaries of GL and GIT amounting to \$885.3 million (2013: \$891.3 million) are repayable on demand. Of this amount, \$877.2 million (2013: \$884.7 million) is interest bearing and \$8.1 million (2013: \$6.6 million) is non-interest bearing. The interest bearing loans incur interest at rates ranging from 2.9% to 7.5% (2013: 2.9% to 7.5%) per annum; and
- + loans to GIT and its subsidiaries amounting to \$42.7 million (2013: \$80.6 million) are repayable on demand. Of this amount, \$26.9 million (2013: \$64.4 million) is interest bearing and \$15.8 million (2013: \$16.2 million) is non-interest bearing. The interest bearing loan incurs interest at rates ranging from 2.9% to 3.5% (2013: 1.1%) per annum.

20. Equity settled share based transactions

Goodman Group provides equity based remuneration through the issue of shares under the Long Term Incentive Plan (LTIP). Details of the LTIP scheme are set out below.

Long Term Incentive Plan

The LTIP, which provides for the issue of performance rights, was first approved at the 2009 Annual General Meeting of Goodman Group and subsequently at the 2012 Annual General Meeting. Each performance right issued under the LTIP entitles an employee to acquire a Goodman Group stapled security for nil consideration subject to the vesting conditions having been satisfied. The LTIP also provides for the issue of options, though this has not been utilised to date. If options were to be issued, it would entitle an employee to acquire a Goodman Group stapled security on payment of the exercise price for the option subject to the vesting conditions having been satisfied.

Under the terms of the LTIP and decisions made by the directors of Goodman Group in accordance with the plan, the issues of performance rights on 27 September 2013 and 22 November 2013 to employees and directors respectively were subject to the following broad terms:

- + the exercise of 25% of the total performance rights will be conditional on Goodman Group achieving a total Securityholder return (TSR) in excess of that achieved by 50% of listed entities in the S&P/ASX 100 index and the exercise of 75% of the total performance rights will be conditional on Goodman Group achieving an operating earnings per share (EPS) outcome at least at the target level notified to the market over a three year 'testing period' which ends on 30 June 2016 and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that Goodman Group achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent Goodman Group exceeds the 51st percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76th percentile under the grants made pursuant to the rules and disclosed to the market;
- + performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances); and
- + performance rights vest in three equal tranches on 1 September 2016, 1 September 2017 and 3 September 2018.

Share based payments expense included in profit or loss was as follows:

	Consolidated	
	2014 \$M	2013 \$M
Share based payments expense:		
– Equity settled	10.2	2.2
– Cash settled	3.6	1.6
	13.8	3.8

At 30 June 2014, a liability of \$3.8 million (2013: \$1.6 million) was recognised in relation to cash settled performance rights.

The movement in the number of equity settled and cash settled Goodman Group performance rights is as follows:

	Number of rights	
	2014	2013
Outstanding at the beginning of the year	7,238,216	–
Issued	5,081,549	7,238,216
Vested	(1,247,503)	–
Forfeited	(1,080,572)	–
Outstanding at the end of the year	9,991,690	7,238,216
Exercisable at the end of the year	–	–

The model inputs for Goodman Group performance rights awarded during the current financial year include the following:

	Rights issued on 22 Nov 2013	Rights issued on 27 Oct 2013
Fair value at measurement date (\$)	3.67	3.66
Security price (\$)	4.97	4.93
Exercise price (\$)	–	–
Expected volatility (%)	21.6	23.6
Rights expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	5.10	4.92
Average risk free rate of interest per annum (%)	3.6	3.4

The fair value of services received in return for performance rights granted under Goodman Group's LTIP is measured by reference to the fair value of the performance rights granted. The estimate of the fair value of the services received is measured as follows:

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

Notes to the consolidated financial statements

Continued

21. Notes to the consolidated cash flow statement

(a) Reconciliation of cash

Cash as at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Cash assets	92.6	219.0	1.9	2.5

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

	Consolidated	
	2014 \$M	2013 \$M
Profit for the year	85.0	15.2
Non-cash items		
Depreciation of plant and equipment	1.7	0.9
Share based payments expense	13.8	3.8
Net loss from fair value adjustments on investment properties	–	6.7
Impairment losses	0.5	2.1
Share of net results of equity accounted investments	(19.8)	0.5
Net finance expense	23.5	3.7
Income tax expense	4.5	1.3
Operating profit before changes in working capital and provisions	109.2	34.2
Changes in assets and liabilities during the year:		
– Increase in receivables	(20.0)	(2.9)
– (Increase)/decrease in inventories	(132.6)	4.3
– Decrease in other assets	36.8	6.2
– (Decrease)/increase in payables	(2.1)	3.2
– Increase in provisions (including employee benefits)	6.8	–
	(1.9)	45.0
Distributions received from equity accounted investments	1.6	–
Net finance costs paid	(0.2)	(3.3)
Net income taxes paid	(5.3)	(3.0)
Net cash (used in)/provided by operating activities	(5.8)	38.7

22 Financial risk management

The Consolidated Entity's capital management and financial risk management processes are managed as part of the wider Goodman Group. There are established policies, documented in Goodman Group's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

The Goodman Group Investment Committee is the primary forum where strategic capital and financial management requirements are discussed and decisions made in accordance with the FRM policy. The committee meets at least every week during the financial year.

Financial risk management

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

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in Hong Kong, China, Japan and Continental Europe. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of future commercial transactions, recognised assets and liabilities and principally, net investments in foreign operations.

Goodman Group manages foreign currency exposure on a consolidated basis. In managing foreign currency risks, Goodman Group aims to reduce the impact of short-term fluctuations on earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

Goodman Group's capital hedge policy for each overseas region is to hedge between 70% and 95% of foreign currency denominated assets with foreign currency denominated liabilities. This is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps.

Exposure to currency risk

The following table details the Consolidated Entity's and the Company's exposure at the end of the year to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Australian dollars, translated using the spot rate at the year end date.

Consolidated		Exposure to foreign currencies (expressed in Australian dollars)							
		2014				2013			
	Note	HKD \$M	USD \$M	EUR \$M	JPY \$M	HKD \$M	USD \$M	EUR \$M	JPY \$M
Receivables	10	5.8	144.3	143.0	–	24.9	163.5	209.7	–
Cash and cash equivalents	21(a)	18.3	65.7	6.9	1.7	15.5	98.0	105.3	0.2
Payables	15	(1.4)	(528.7)	(457.6)	(46.7)	(1.0)	(435.5)	(564.3)	(0.3)
		22.7	(318.7)	(307.7)	(45.0)	39.4	(174.0)	(249.3)	(0.1)

Company		Exposure to foreign currencies (expressed in Australian dollars)							
		2014				2013			
	Note	HKD \$M	USD \$M	EUR \$M	JPY \$M	HKD \$M	USD \$M	EUR \$M	JPY \$M
Receivables	10	4.2	–	21.9	–	4.4	0.9	7.0	(0.3)
Cash and cash equivalents	21(a)	–	–	0.2	1.7	–	–	2.3	0.2
Payables	15	–	–	–	(23.0)	–	–	–	–
		4.2	–	22.1	(21.3)	4.4	0.9	9.3	(0.1)

Sensitivity analysis

At 30 June 2014, if the Australian dollar had strengthened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Shareholders would have decreased by A\$5.3 million (2013: A\$1.3 million). If the Australian dollar had weakened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Shareholders would have increased by A\$5.9 million (2013: A\$1.5 million).

Interest rate risk

The Consolidated Entity's interest rate risk primarily arises from variable rate borrowings with related parties.

Sensitivity analysis

At 30 June 2014, if interest rates on borrowings had been 100 basis points per annum (2013: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Shareholders for the financial year would have been A\$8.5 million lower/higher (2013: A\$7.3 million lower/higher).

Price risk

The Consolidated Entity is not exposed to price risk.

Notes to the consolidated financial statements

Continued

22 Financial risk management continued

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties of Goodman Group.

The contractual maturities of financial liabilities are set out below:

Consolidated

	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1–2 year(s) \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
30 Jun 2014								
Trade and other payables	86.0	86.0	82.0	4.0	–	–	–	–
Loans from related parties	885.3	885.3	885.3	–	–	–	–	–
Total	971.3	971.3	967.3	4.0	–	–	–	–
	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1–2 year(s) \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
30 Jun 2013								
Trade and other payables	121.8	121.8	120.0	1.8	–	–	–	–
Loans from related parties	891.3	891.3	891.3	–	–	–	–	–
Total	1,013.1	1,013.1	1,011.3	1.8	–	–	–	–

(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 consolidated and the Company's statement of financial position, is the carrying amount (refer to note 10).

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.

From time to time, the Consolidated Entity also makes loans to associates and JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

(d) Fair values of financial instruments

Except for investments in unlisted securities which are carried at fair value, the Consolidated Entity's and Company's financial instruments are carried at cost or amortised cost. The carrying amount of the Consolidated Entity's and Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2014 and 2013.

(i) Valuation techniques and significant unobservable inputs

The fair value measurement for available for sale equity securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities – Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate.	+ Average annual development of 155,000 sqm + Risk adjusted discount rate of 8.0% per annum + Five year terminal value growth rate of nil	The estimated fair value would increase/(decrease) if: + the level of development activity and terminal value growth rate were higher/(lower) + the risk-adjusted discount rate were lower/(higher)

22 Financial risk management continued

(d) Fair values of financial instruments continued

(ii) Reconciliation of Level 3 fair values

	Consolidated	
	2014 \$M	2013 \$M
Carrying amount at the beginning of the year	16.1	–
Acquisitions	0.1	16.1
Capital return	(0.9)	–
Gain included in other comprehensive income		
– Net change in fair value	4.9	–
Effect of foreign currency translation	(0.6)	–
Carrying amount at the end of the year	19.6	16.1

23. Commitments

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Non-cancellable operating lease commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
– Within one year	8.7	7.5	–	–
– One year or later and no later than five years	12.9	13.1	–	–
– Later than five years	2.0	2.1	–	–
	23.6	22.7	–	–

At 30 June 2014, the Consolidated Entity was also committed to \$162.5 million (2013: \$95.8 million) expenditure in respect of inventories and other development activities.

Commitment to invest in funds managed by Goodman Group

At 30 June 2014, subject to the unanimous approval by the JV partners of the relevant property acquisition and/or development for which the funding is required, Goodman Group was committed to invest \$153.9 million (2013: \$92.1 million) into GCLH to fund property acquisitions and development and \$321.4 million into GJDP to fund development projects.

Non-cancellable operating lease receivable from investment property customers

	Consolidated		Company	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Non-cancellable operating lease commitments receivable:				
– Within one year	6.4	3.3	–	–
– One year or later and no later than five years	3.3	13.0	–	–
– Later than five years	–	5.1	–	–
	9.7	21.4	–	–

24. Subsequent events

In the opinion of the directors, there were no events subsequent to reporting date, and up to the date of signature of these consolidated financial statements, which would require adjustment to or disclosure in the consolidated financial statements.

Independent auditor's report

to the shareholders of Goodman Logistics (HK) Limited

(incorporated in Hong Kong with limited liability)



We have audited the consolidated financial statements of Goodman Logistics (HK) Limited (the Company) and its subsidiaries (together the Group) set out on pages 157 to 187, which comprise the consolidated and company statements of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 August 2014

Securities information

Top 20 Securityholders As at 2 September 2014	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	516,185,300	29.57
2. J P Morgan Nominees Australia Limited	515,598,406	29.54
3. National Nominees Limited	283,262,772	16.23
4. Citicorp Nominees Pty Limited	127,185,773	7.29
5. BNP Paribas Noms Pty Ltd <DRP>	51,920,663	2.97
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	31,967,500	1.83
7. AMP Life Limited	20,639,000	1.18
8. Beeside Pty Limited	16,923,077	0.97
9. Trison Investments Pty Ltd	13,868,256	0.79
10. Trison Investments Pty Ltd	13,128,205	0.75
11. RBC Investor Services Australia Nominees Pty Limited <APN A/C>	5,010,518	0.29
12. Bond Street Custodians Limited <ENH Property Securities A/C>	4,296,384	0.25
13. RBC Investor Services Australia Nominees Pty Limited <PISelect>	4,078,838	0.23
14. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,651,190	0.21
15. UBS Nominees Pty Ltd	3,230,000	0.19
16. UBS Nominees Pty Ltd	3,064,915	0.18
17. Questor Financial Services Limited <TPS RF A/C>	2,599,322	0.15
18. RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	2,348,318	0.13
19. HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,257,081	0.13
20. CPU Share Plans Pty Ltd <Settlement A/C>	2,168,286	0.12
Securities held by top 20 Securityholders	1,623,383,804	93.01
Balance of securities held	122,033,921	6.99
Total issued securities	1,745,417,725	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	5,164	2,480,145	0.14
1,001 – 5,000	7,516	19,204,189	1.10
5,001 – 10,000	2,521	18,002,582	1.03
10,001 – 100,000	1,735	36,590,393	2.10
100,001 – over	129	1,669,140,416	95.63
Total	17,065	1,745,417,725	100.00

There were 555 Securityholders with less than a marketable parcel in relation to 6,877 securities as at 2 September 2014.

Substantial Securityholders¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
BlackRock, Inc.	103,955,559
Vanguard Group	102,759,342

1. In accordance with latest Substantial Securityholder Notices as at 2 September 2014.

Goodman Logistics (HK) Limited CHESS Depository Interests

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

Voting rights

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

On-market buy-back

There is no current on-market buy-back.

Glossary

AASB Australian Accounting Standards Board.

ABPP Arlington Business Parks Partnership, an unlisted property fund specialising in the investment of business parks in the United Kingdom.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPIIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EBIT Operating profit before net finance expense and income tax.

EPS Earnings per security.

GADF Goodman Australia Development Fund

GAIF Goodman Australia Industrial Trust No 1 (ARSN 088 750 627); Goodman Australia Industrial Trust No 2 (ARSN 116 208 612); and Goodman Australia Industrial Trust No 3 (ARSN 130 854 938) stapled to form Goodman Australia Industrial Fund.

GCLH Goodman China Logistics Holding, an unlisted property fund specialising in the investment of industrial property in China.

GELF Goodman European Logistics Fund, an unlisted property fund specialising in the investment of industrial property in Continental Europe.

GFM Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLF Goodman Hong Kong Logistics Fund, an unlisted property fund specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCF Goodman Japan Core Fund, an unlisted property fund specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership between Goodman and Abu Dhabi Investment Council.

GL Goodman Limited (ABN 69 000 123 071) and its controlled entities, where the context requires.

GMT Goodman Property Trust, a listed property trust on the NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership between Goodman and Canada Pension Plan Investment Board.

GTA Goodman Trust Australia, an unlisted property trust, specialising in the investment of industrial property

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and its controlled entities, where the context requires.

Goodman Group or GMG Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

KGIT KWASA-Goodman Industrial Trust, an unlisted property trust specialising in the investment of industrial property.

KGG KWASA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence (“AFSL”) authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

S&P Standard & Poor’s: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security.

Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share and a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a “stapled security”.

Stapled Security A GIT unit, a GL share and a GLHK share which are stapled so that they can only be traded together.

STI Short term incentive.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group’s voting rights.

TSR Total securityholder return.

Unitholder A unitholder of GIT.

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Corporate directory

Goodman Group

Goodman Limited

ABN 69 000 123 071

Goodman Industrial Trust

ARSN 091 213 839

Responsible Entity

Goodman Funds Management Limited
ABN 48 067 796 641; AFSL Number 223621

Goodman Logistics (HK) Limited

Company No. 1700359; ARBN 155 911 149

Offices

Registered office

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

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

Facsimile +61 2 9230 7444

Email info@goodman.com

Website www.goodman.com

Other offices

Adelaide	Cracow	Paris
Amsterdam	Düsseldorf	Perth
Auckland	Guangzhou	Poznan
Barcelona	Hamburg	Prague
Beijing	Hong Kong	Reading
Birmingham	London	São Paulo
Brisbane	Los Angeles	Shanghai
Brussels	Luxembourg	Sydney
Budapest	Madrid	Tokyo
Chengdu	Melbourne	Warsaw
Christchurch	Osaka	

Directors

Mr Ian Ferrier, AM	(Independent Chairman)
Mr Gregory Goodman	(Group Chief Executive Officer)
Mr Philip Fan	(Independent Director)
Mr John Harkness	(Independent Director)
Ms Anne Keating	(Independent Director)
Ms Rebecca McGrath	(Independent Director)
Mr Philip Pearce	(Executive Director)
Mr Danny Peeters	(Executive Director)
Mr Phillip Pryke	(Independent Director)
Mr Anthony Rozic	(Executive Director)
Mr James Sloman, OAM	(Independent Director)

Company Secretary

Mr Carl Bicego

Security Registrar

Computershare Investor Services Pty Limited

Level 5
115 Grenfell Street
Adelaide SA 5000
GPO Box 1903
Adelaide SA 5001

Telephone 1300 723 040 (within Australia)
+61 3 9415 4043 (outside Australia)

Facsimile +61 8 8236 2305

Email www.investorcentre.com/contact

Website www.computershare.com

Custodians

The Trust Company Limited

20 Bond Street
Sydney NSW 2000

Perpetual Trustee Company Limited

123 Pitt Street
Sydney NSW 2000

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

ASX code

GMG

Disclaimer

This Annual Report has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate. This Annual Report is not an offer or invitation for subscription or purchase of securities or other financial products. It does not constitute an offer of securities in the United States. Securities may not be offered or sold in the United States unless they are registered under the US Securities Act of 1933 or an exemption from registration is available. This Annual Report contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Goodman Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. All values are expressed in Australian currency unless otherwise stated. September 2014.



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