



Announcement to Singapore Exchange

12 February 2015

**GBP250,000,000 9.75 PER CENT NOTES DUE JULY 2018 (THE “NOTES”) ISSUED
PURSUANT TO THE USD 5 BILLION EURO MEDIUM TERM NOTE PROGRAMME (THE
‘PROGRAMME’)**

**ANNOUNCEMENT OF GOODMAN GROUP RESULTS FOR THE HALF YEAR ENDED 31
DECEMBER 2014 – PART 1**

We attach the Goodman Group Results including the Australian Securities Exchange (ASX) release, Investor Presentation, Appendix 4D statement under the ASX Listing Rules and consolidated Goodman Limited Interim Financial Report for the Half Year Ended 31 December 2014.

The Investor Presentation and Appendices are set out in Part 2 and Part 3 of the announcement. The results are as released to the Australian Securities Exchange.

Yours sincerely,

For Goodman Australia Finance Pty Limited

Carl Bicego
Company Secretary

asx release+

Goodman increases first half FY15 operating profit to \$327 million, with upgraded full year guidance

Date 12 February 2015

Release Immediate

Goodman Group (Goodman or Group) today announced its results for the half year ended 31 December 2014, delivering an operating profit of \$327 million. Key financial and operational highlights for the period are:

Financial highlights

- + Operating profit of \$327 million¹, a 10% increase on the same period last year
- + Statutory profit of \$513 million¹ (including property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items)
- + Operating earnings per security (EPS)¹ of 18.7 cents², up 9% on 1HFY14
- + Total distribution of 11.1 cents per stapled security, up 7% on 1HFY14
- + Strong financial position maintained – balance sheet gearing of 20.2%³ and interest coverage ratio (ICR) of 5.9 times
- + Net tangible assets per security increased 9% to \$3.15, with a significant contribution from urban renewal projects
- + Group liquidity at \$1.5 billion, with weighted average debt maturity of 5.2 years
- + Positioned to deliver an upwardly revised forecast full year EPS growth of 7%, representing forecast FY15 operating EPS of 37.2 cents (up 7% on FY14)

Operational highlights

- + Total assets under management of \$29.4 billion, up 10% on FY14, reflecting increased valuations arising from the demand for quality and well performing industrial assets
- + Robust property fundamentals across core investment portfolio, with occupancy maintained at 96%, and weighted average lease expiry of 4.8 years
- + Development work in progress at \$2.9 billion across 69 projects in 12 countries, 61% pre-committed and 76% matched to third party capital, generating a forecast yield on cost of 8.7%
- + \$1.5 billion of new committed third party equity raised, endorsing Goodman's contemporary fund management and independent governance structures
- + Progressing urban renewal strategy, with positive planning outcomes achieved and \$500 million of sites now conditionally contracted

Goodman Group

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 Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
 as responsible entity of Goodman Industrial Trust | ARSN 091213 839
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Goodman's Group Chief Executive Officer, Mr Greg Goodman said, "Goodman outperformed our expectations in the first half to deliver an operating profit of \$327 million. This represents a 10% increase on the same period last year and equates to growth in operating earnings per security of 9%. The result was largely driven by our strong \$2.9 billion development book and robust property fundamentals, with net property income growth of 2.6% and 96% occupancy maintained across our high quality portfolio."

"The first half performance reaffirms our confidence in the Group's strategy, which is focused on selectively rotating assets, including higher and better use sites, enhancing our return on assets by recycling capital and securing new opportunities to drive long-term growth. This is being undertaken while maintaining our sound financial position and low gearing levels."

"In turn, the Group is well positioned for the second half of FY15 and we expect first half operating profit to be maintained. Accordingly, we have upwardly revised our forecast full year FY15 operating earnings per security to 37.2 cents, up 7% on FY14."

The Group's statutory profit for the half year of \$513 million is after property revaluations, derivative and foreign currency being marked to market and other non-cash or non-recurring items. The statutory profit was strongly influenced by higher valuations from certain Goodman urban renewal sites, reflecting zoning changes and comparable sales and contributing approximately \$170 million of asset revaluations in the first half. With identified urban renewal sites remaining consistent at 35,000 apartments, valuation uplifts are expected to be a recurring theme in future reporting periods.

The size and scale of Goodman's international operations provides a key point of differentiation, contributing 54% of first half operating earnings. The Group continues to realise significant diversification benefits from its international operating platform, with access to a broad range of quality opportunities due to the different timing of economic cycles. This is enhancing Goodman's brand as a leading global industrial property group.

Goodman's primary focus is on the quality of its assets and investing in customer relationships to understand their businesses and deliver property solutions that cater for their diverse and changing requirements. This was demonstrated in the half year with 1.7 million sqm of space leased and \$1.4 billion of new development commitments secured across Goodman's global markets.

Goodman continues to take a measured approach to its development-led strategy in the US and Brazil, building capability while selectively securing high quality, growth opportunities that meet its return hurdles. As a patient investor, Goodman has committed both capital and time in order to lay the foundation for generating sustainable long-term value, through the rollout of its \$3 billion development pipeline across the Americas.

In the first half, the Group and managed funds selectively disposed of \$1.1 billion of assets (excluding urban renewal sites), predominantly in Australia, the United Kingdom and New Zealand. Total asset disposals over the 2014 calendar year were in excess of \$1.9 billion and significantly, the sale proceeds have been used to match fund opportunities across our global development workbook.

Goodman further advanced its urban renewal activities during the half, with \$500 million of sites now conditionally contracted. Urban renewal activities have the potential to return significant amounts of capital to Goodman over the long-term and enable it to be increasingly self-funded.

Goodman is committed to delivering consistent and sustainable growth, while maintaining its focus on balance sheet strength. The Group has retained its gearing at 20%, with available liquidity of \$1.5 billion.

Goodman's managed funds completed an active half, with its capital partners participating in \$1.5 billion of new equity. Fund performance was strong, coupled with targeted asset selection and rotation, delivering on average a total return of 15%.

Total assets under management increased to \$29.4 billion in the first half, largely due to \$1.3 billion of development completions, 90% of which were undertaken on behalf of Goodman's managed funds or third parties. The growth in asset pricing was also a driver of total assets under management during the half year period, resulting in \$690 million of revaluations across Goodman's total property portfolio.

Operations

The Group's operations achieved an operating EBIT of \$354 million⁴, or an 11% increase compared with the same period last year, reflecting the organic growth and increased scale from Goodman's existing markets. The strong activity in the Group's development and management businesses contributed a combined 49% of operating EBIT, consistent with the high customer and investor demand for prime industrial space across all of Goodman's global markets. This also reflected the earnings composition, with a strong contribution from the development business resulting in the outperformance for the half and in the full year forecast. Investments contributed 51% of operating EBIT, with 33% from developments and 16% from management services.

Investments

Investments contributed operating EBIT of \$195.4 million, a 5% increase compared with the same period last year. Underlying property fundamentals were robust over the half year period. Overall occupancy was maintained at 96% across a portfolio of 439 properties, consistent with the same period last year. The weighted average lease expiry across the investment portfolio was 4.8 years.

Investment earnings increased, notwithstanding the completion of \$1.1 billion of asset disposals across the Group and managed funds, with property assets selectively rotated to take advantage of the market demand for industrial properties, with capital recycled into higher growth opportunities.

Developments

Developments contributed operating EBIT of \$127.3 million, a 24% increase compared with the same period last year. Goodman's development business performed strongly, driven by customer demand for well-located, modern logistics space to drive greater business efficiencies and returns. Goodman's work in progress as at 31 December 2014 was \$2.9 billion, generating a yield on cost of 8.7% and equating to 2.4 million sqm of new space across 69 projects in 12 countries. This has ensured that the Group remains one of the largest developers of industrial property globally.

The Group experienced significant development activity across all of its operating markets:

- + In Asia, Goodman's targeted approach and focus on quality in the undersupplied markets of China and Japan is delivering growing and sustainable returns.
- + Customer demand continues to underpin stable volumes in Europe, with predominantly pre-committed development activity being undertaken.
- + Cyclical improvements are evident in markets such as New Zealand and the United Kingdom, where improved business activity levels are being reflected in higher volumes from Goodman's development-led approach.
- + Development activity increased in the Group's US platform over the half, with two new projects under development in the Inland Empire West market of Southern California.
- + In Brazil, Goodman is progressing well with the measured rollout of its development-led approach, with 275,000 sqm of developments underway.
- + Combined, the Americas now represent 19% of the Group's total development work in progress.

Developments without customer pre-commitments were undertaken in supply constrained markets, which are proven logistics locations. Pre-leasing enquiries have remained strong, highlighted by the positive results achieved with Goodman Mizue (59,000 sqm) in Tokyo, and Goodman Citylink (100,000 sqm) in Langfang, China being 100% pre-leased prior to completion. Development risk is further mitigated through the capital partnering approach we have adopted in our larger markets of the US, Brazil, Japan and China. This is further demonstrated with 90% of all completions being for Goodman's managed funds or third parties.

Management

Management contributed operating EBIT of \$59.7 million, a 4% increase compared with the same period last year. The Group's managed funds performed strongly in the half year, executing a development-led strategy in undersupplied markets and selectively recycling assets to provide capital for reinvestment into higher growth opportunities.

Third party assets under management increased to \$24.6 billion over the first half, an increase of 14% compared to 31 December 2013. This was a key driver of the growth in Management earnings, predominantly as a result of development completions and growth in asset pricing.

Goodman's managed funds remain attractive to global investor groups, providing access to high quality growth opportunities that underpin long-term value creation. The Group's funds have significant activity and investment capacity, with \$6.4 billion⁵ of undrawn equity and debt available and proceeds from ongoing asset recycling initiatives, to participate in a broad range of growth opportunities from the Group and broader market.

Capital Management

Goodman maintained its sound financial position during the first half of FY15, demonstrated by the successful completion of balance sheet recycling opportunities and the Group's selective approach to pre-sold developments. As a result, gearing was retained at 20%. Interest cover remains high at 5.9 times.

Available liquidity is currently \$1.5 billion, providing financial flexibility for future periods. The Group has a weighted average debt maturity profile of 5.2 years, with debt maturities fully covered to the end of the 2018 calendar year.

Goodman has continued to deliver on its strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets. During the half year, the Group and managed funds procured \$2.2 billion of facilities with an average term of 5.0 years. Furthermore, Goodman European Logistics Fund (GELF) successfully priced its second seven year, €400 million Eurobond issue with an annual coupon of 1.75%. GELF also had its credit rating upgraded to Baa2 by Moody's Investor Services.

Separately, the Group's Distribution Reinvestment Plan was active over the half year, raising a total of \$45 million.

Outlook

Goodman's first half result has outperformed expectations and it is in a strong position to maintain its earnings momentum in the second half of FY15, by selectively pursuing high quality growth opportunities in key logistics markets globally.

The Group is deriving significant benefit from its geographically diverse operating platform and the differing timing of economic cycles. Combined with the ongoing investor demand for high quality industrial assets, Goodman continues to be opportunistic in markets where strong pricing is providing attractive conditions to selectively rotate assets where value has been maximised, including urban renewal opportunities. This is driving enhanced investor returns, with Goodman reinvesting significant capital into new developments and property investment opportunities.

Goodman's Group Chief Executive Officer, Mr Greg Goodman said, "Goodman's customer focus and global relationships are also providing significant ongoing opportunities, by leveraging the Group's expertise and capability to provide modern, high quality property solutions that enable customers to fulfil their changing business needs and realise greater operating efficiencies. This is expected to be a key driver of second half FY15 demand across Goodman's development activities, combined with the continued performance of our quality stabilised portfolio."

Accordingly, Goodman is forecasting full year FY15 operating earnings per security of 37.2 cents, up 7% on FY14 and a forecast distribution of 22.2 cents, up 7% on FY14.

- Ends -

For further information, please contact;
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Group Chief Executive Officer
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About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

¹ Operating profit and operating EPS comprise profit attributable to Securityholders, adjusted for property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items. Operating profit is used to present a clear view of the underlying profit from operations. It is used consistently and without bias year on year for comparability. A reconciliation to statutory profit is provided in summary on page 10 of the ASX Results Presentation and in detail on page 4 of the Directors' Report as announced on ASX and available from the Investor Centre at www.goodman.com.

² Calculated based on weighted average diluted securities of 1,749.2 million, including 9.5 million LTIP securities which have achieved the required performance hurdles and will vest equally in September 2015 and September 2016.

³ Calculated as total interest bearing liabilities over total assets, both net of cash and fair values of cross currency swaps used to hedge liabilities denominated in currencies other than those to which the proceeds are applied equating to \$121.6 million – refer to Note 8 of the Financial Statements.

⁴ Operating EBIT comprises statutory profit before interest and tax of \$620.0 million adjusted for property valuations and other non-cash or non-recurring items. A reconciliation to statutory profit before interest and tax is provided in Note 4 of the Financial Statements.

⁵ Fund investments are subject to investment committee approval

APPENDIX 4D
GOODMAN GROUP
(comprising Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited)
RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half year ended 31 December 2014

The Appendix 4D should be read in conjunction with the annual report of Goodman Limited for the year ended 30 June 2014. The information included in the Appendix 4D and the interim financial report for the half year ended 31 December 2014 comprises all the information required by ASX Listing Rule 4.2A.

Highlights of results				
	31 Dec 2014	31 Dec 2013	Change	
Revenue and other income (\$M)	1,115.7	788.8	up	41.4%
Operating profit (before specific non-cash and other significant items) attributable to Securityholders (\$M)	327.1	296.0	up	10.5%
Profit (statutory) attributable to Securityholders (\$M)	512.7	160.4	up	219.6%
Total comprehensive income (statutory) attributable to Securityholders (\$M)	684.1	423.1	up	61.7%
Diluted operating profit per security (cents)	18.7	17.2	up	8.7%
Interim distribution per GMG security (cents)	11.10	10.35	up	7.2%
Interim distribution (\$M)	193.7	177.9	up	8.9%
Franked amount per security/share (cents)	-	-	-	0.0%
Conduit foreign income	-	-	-	0.0%
Record date for determining entitlements to the distributions	31 Dec 2014	31 Dec 2013		
Date interim distribution is payable	20 Feb 2015	21 Feb 2014		
Distribution reinvestment plan Goodman Group's Distribution Reinvestment Plan (DRP) will operate in respect of the interim 2015 distribution. The last date for receipt of an election notice to participate in the DRP was 2 January 2015.				
Total assets (\$M)	10,402.2	9,358.8	up	11.1%
Total liabilities (\$M)	3,618.3	3,361.0	up	7.7%
Net assets (\$M)	6,783.9	5,997.8	up	13.1%
Net tangible assets per security/share (cents)	314.6	273.0	up	15.2%
Total borrowings to net assets ratio (%)	38.1	38.5	down	(1.1%)
Contributed equity (\$M)	7,892.3	7,804.8	up	1.1%
Security price (\$)	5.690	4.730	up	20.3%
Number of securities on issue on the ASX (M)	1,745.5	1,718.7	up	1.6%
Market capitalisation (\$M)	9,931.7	8,129.7	up	22.2%
Number of Securityholders	17,328	17,061	up	1.6%

Controlled entities acquired or disposed

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

Associates and joint venture entities

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

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

- KWASA Goodman Industrial Trust (40%)
- Goodman Australia Development Fund (20%)
- Goodman Princeton Holdings (Lux) Sàrl (20%)
- Goodman Princeton Holdings (Jersey) Ltd (20%)
- BGA1 Pty Limited (50%)
- Toll Goodman Property Services Pty Ltd (50%)
- 413 King William Street Trust (50%)
- GGGAIF Huntingwood East (50%)
- GGGAIF Bungaribee No.5 (50%)
- BGMG1 Oakdale South Trust (50%)
- BGMG2 Rochedale Trust (50%)
- Goodman China Logistics Holding Limited (20%)
- Goodman Japan Development Partnership (50%)
- KWASA Goodman Germany (30%)
- Agate Ingatlanforgalmazó Kft (50%)
- Goodman Lazulite Logistics (Lux) Sàrl (50%)
- Üllő One 2008 Kft (50%)
- Üllő Two 2008 Kft (50%)
- WMP NV (50%)
- BL Goodman LLP (50%)
- Pochin Goodman (Deeside) Ltd (50%)
- Desborough Developments Limited (50%)
- Goodman North America Partnership (55%)
- WT Goodman IBP Participações S.A (50%)
- WT Goodman Cajamar Participações S.A (50%)

Goodman Limited
ABN 69 000 123 071
and its controlled entities
Interim financial report for the half year ended 31 December 2014

Contents	Page
Directors' report	2
Lead auditor's independence declaration	10
Consolidated interim statement of financial position	11
Consolidated interim income statement	12
Consolidated interim statement of comprehensive income	13
Consolidated interim statement of changes in equity	14
Consolidated interim cash flow statement	15
Notes to the interim financial statements	
Basis of preparation	
1. Statement of significant accounting policies	16
2. Critical accounting estimates used in the preparation of the financial statements	16
Results for the half year	
3. Earnings per Company share/security	17
4. Segment reporting	17
5. Profit before income tax	20
Operating assets	
6. Property assets	21
7. Intangible assets	27
Capital management	
8. Finance income and expense	30
9. Interest bearing liabilities	30
10. Financial instruments	33
11. Dividends and distributions	34
12. Issued capital	35
Other items	
13. Reserves	36
14. (Accumulated losses)/retained earnings	37
15. Significant non-cash transactions	37
16. Commitments	37
17. Related parties	38
18. Events subsequent to balance date	38
Directors' declaration	39
Independent auditor's review report	40

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

The directors (Directors) of Goodman Limited (Company) present their Directors' report together with the interim financial report of the consolidated entity consisting of the Company and the entities it controlled (Goodman or Consolidated Entity) at the end of, or during, the half year ended 31 December 2014 (half year) and the review report thereon.

Directors

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

Director	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 (Executive Director)	1 January 2013
Mr Danny Peeters (Executive Director)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Executive Director)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Dividends and distributions

No dividends were declared or paid by the Company during the half year. In the prior half year, the Company declared and paid a fully franked dividend of 5.2 cents per share amounting to \$88.7 million relating to performance in the year ended 30 June 2013.

Distributions declared/announced by a controlled entity, Goodman Industrial Trust (GIT), directly to Securityholders during the half year totalled 11.1 cents per security, amounting to \$193.7 million (2013: \$177.9 million).

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

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

Operating and financial review

Review of the performance

Goodman reported an operating profit of \$327.1 million for the half year ended 31 December 2014, a 10% increase on the prior half year, which equates to operating profit per security (operating EPS) of 18.7 cents, up 9% on the prior half year. Goodman's statutory profit attributable to Securityholders for the half year was \$512.7 million.

During the half year, Goodman has experienced robust property fundamentals across the global portfolio, with investment earnings before interest and tax increasing to \$195.4 million. Development work in progress has increased to \$2.9 billion with projects being undertaken in all regions and development earnings before interest and tax is \$127.3 million, up 24% on the prior half year.

The size and scale of Goodman's international operations provides a key point of differentiation, contributing 54% of first half operating earnings. Goodman continues to realise significant diversification benefits from its international operating platform, with access to a broad range of quality opportunities due to the different timing of economic cycles. This is enhancing Goodman's brand as a leading global industrial property group.

During the half year, Goodman and its managed funds have disposed of \$1.1 billion of assets, predominantly in Australia, New Zealand and the United Kingdom. The limited supply of quality industrial space and the surplus capital available for investment continue to drive stronger asset pricing in these markets, providing favourable opportunities for Goodman to sell assets and rotate capital into new higher growth development and investment opportunities.

The redeployment of capital into development activities and growth in asset pricing have meant that as at the end of the half year, external assets under management have increased to \$24.6 billion across 15 managed vehicles and total assets under management (AUM) had increased to \$29.4 billion. Stronger asset valuations has also resulted in a tightening of Goodman's weighted average capitalisation rate to 7.3% at 31 December 2014.

Goodman further advanced its urban renewal activities during the half year, with \$500 million of sites now conditionally contracted. Where zoning changes have occurred, these sites have been externally valued contributing approximately \$170 million of asset revaluations.

Total property valuation gains for the period are \$286.0 million, which have had a favourable impact on statutory profit compared to the prior half year. The statutory profit is also net of losses of \$76.4 million from the fair value movements on derivative financial instruments and unrealised foreign exchange movements on interest bearing liabilities. However, there is a corresponding gain of \$167.0 million in the consolidated statement of comprehensive income relating to the net translation gains associated with the net assets of foreign operations.

Goodman is committed to delivering consistent and sustainable growth, while maintaining its focus on balance sheet strength. During the half year, Goodman raised \$1.5 billion of new equity from capital partners to help fund targeted growth opportunities. At 31 December 2014, gearing remains low at 20.2% and available liquidity is \$1.5 billion with debt maturities covered up to December 2018.

Financial highlights:

- + Operating profit of \$327.1 million, up 10% on the prior half year
- + Statutory accounting profit of \$512.7 million (2013: \$160.4 million)
- + Operating EPS of 18.7 cents, up 9% on the prior half year
- + Distribution per security of 11.1 cents, up 7% on the prior half year
- + Net tangible assets per security of \$3.15, up 9% from 30 June 2014
- + Balance Sheet gearing of 20.2% and interest coverage ratio of 5.9 times
- + Liquidity at \$1.5 billion with weighted average debt maturity of 5.2 years.

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

Operating and financial review (cont)

Operating profit

Operating profit comprises profit attributable to Securityholders adjusted for property valuations (including impairment losses), derivative and foreign currency mark to market movements and other non-cash adjustments or non-recurring items. While operating profit 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 Goodman.

The reconciliation of operating profit to profit attributable to Securityholders for the half year can be summarised in the table below:

	Note	Consolidated	
		2014 \$M	2013 \$M
Operating profit		327.1	296.0
Adjustments for:			
Property valuation gains			
- Net gain from fair value adjustments on investment properties	6(d)	183.5	46.8
- Share of net gains from fair value adjustments attributable to investment properties in associates and joint ventures	5	119.3	56.6
- Impairment losses	5	(16.8)	(4.5)
Total property valuation gains		286.0	98.9
Derivative mark to market and unrealised foreign exchange movements			
- Fair value movements on derivative financial instruments	8	26.4	(182.2)
- Share of fair value movements on derivative financial instruments in associates and joint ventures	5	4.3	(2.9)
- Unrealised foreign exchange movements	8	(107.1)	(34.2)
Total derivative mark to market and unrealised foreign exchange movements		(76.4)	(219.3)
Other non-cash adjustments or non-recurring losses			
- Share based payments expense		(23.5)	(14.4)
- Capital profits not distributed		-	0.5
- Straight lining of rent		(0.5)	(1.3)
Total other non-cash adjustments or non-recurring losses		(24.0)	(15.2)
Profit attributable to Securityholders		512.7	160.4

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

Operating and financial review (cont)

Analysis of business unit performance

Goodman's operational performance may be analysed into investment earnings, development earnings and management earnings.

Investment earnings comprise gross property income, net of property expenses, Goodman'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 Goodman receives from its investments in other financial assets.

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 Goodman'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.

Management earnings comprise fund management and property services fees, net of employee and administrative expenses.

	Consolidated	
	2014	2013
	\$M	\$M
Analysis of operating profit		
Investment	195.4	186.6
Development	127.3	102.3
Management	59.7	57.5
Unallocated operating expenses	(28.7)	(28.0)
Operating profit before net finance expense and income tax expense	353.7	318.4
Net finance expense ¹	(6.5)	(6.6)
Income tax expense ²	(9.2)	(5.0)
	338.0	306.8
Less: Attributable to non-controlling interests	(10.9)	(10.8)
Operating profit	327.1	296.0
Operating EPS ³ (¢)	18.7	17.2
Interest cover ⁴ (times)	5.9	5.9

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 EPS is the operating profit divided by the weighted average number of securities on issue during the half 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.

The Consolidated Entity's operations achieved an operating EBIT of \$353.7 million, or an 11% increase compared with the same period last year, reflecting the organic growth and increased scale from Goodman's existing markets. The strong activity in the Consolidated Entity's development and management businesses contributed a combined 49% of operating EBIT, consistent with the high customer and investor demand for prime industrial space across Goodman's global markets. Investments contributed 51% of operating EBIT, with 33% from developments and 16% from management services.

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

Operating and financial review (cont)

Investment

	2014	2013
	\$M	\$M
Investment		
Direct	74.7	77.2
Managed funds	174.1	167.2
Look through EBIT¹	248.8	244.4
Look through interest and tax ¹	(53.4)	(57.8)
Operating EBIT	195.4	186.6

1. 'Look through' includes the Consolidated Entity's share of EBIT and interest and tax from managed funds.

Key metrics¹	2014	2013
Weighted average capitalisation rate (%)	7.3	7.8
Weighted average lease expiry (WALE) (years)	4.8	4.9
Customer retention (%)	75	77
Occupancy (%)	96	96

1. Key metrics relate to both directly held properties and properties held by managed funds.

The investment division has performed in line with expectations, achieving a return on assets of 7% and total returns of greater than 18%. Operating EBIT of \$195.4 million has increased by 5% compared to the prior half year and comprises 51% of total operating EBIT for the half year (2013: 54%).

Property fundamentals remain robust reflecting the quality of the portfolio and customers. Occupancy has been maintained at 96% with a WALE of 4.8 years. Like for like rental net property income growth across the portfolio is 2.6% and reversions on new leasing deals are 3.4%.

During the half year, Goodman has capitalised on the strong investment market with asset disposals in excess of \$1.1 billion across Goodman and its managed funds. This includes the disposals of properties in Australia (both directly held and in managed funds), New Zealand (Goodman Property Trust) and the United Kingdom (Arlington Business Parks Fund). The proceeds from these disposals and also funds from equity raisings and other capital management initiatives have been used to fund growth opportunities including new acquisitions and developments.

During the half year, there have been property valuation gains of \$286.0 million, a result of both a tightening of capitalisation rates and positive planning outcomes on sites in Sydney that form part of Goodman's urban renewal strategy which contributed approximately \$170 million. In relation to urban renewal projects, \$500 million of sites are now conditionally contracted.

Development

	2014	2013
	\$M	\$M
Development		
Revenues	157.8	132.8
Operating EBIT	127.3	102.3

Key metrics	2014	2013
Work in progress (\$ billion)	2.9	2.6
Work in progress (million square metres)	2.4	1.9
Number of developments	69	63
Development for third parties or funds (%)	76	88
Pre-commitment (%)	61	71
Yield (%)	8.7	8.4

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

Operating and financial review (cont)

The development division has delivered a strong result with operating EBIT of \$127.3 million, an increase of 24% compared to the prior half year. Development EBIT comprises 33% of total operating EBIT for the half year (2013: 30%). At 31 December 2014, development work in progress is \$2.9 billion (30 June 2014: \$2.6 billion) across 69 projects in 12 countries with a forecast yield on cost of 8.7%.

Development demand continues to be driven by the undersupply of modern, high quality logistics space and structural changes taking place across the industrial sector globally. Development volumes are increasing, particularly in North America and Brazil, reflecting Goodman's development led investment strategy at this point in the cycle, with competition for A grade assets remaining strong. However, Goodman maintains its prudent management of development capital and developments without customer pre-commitments are only undertaken in supply constrained markets. During the half year, development commencements across Goodman were \$1.4 billion and development completions were \$1.3 billion.

Management

	2014	2013
	\$M	\$M
Management		
Management income	105.0	97.6
Operating EBIT	59.7	57.5

Key metrics	2014	2013
Number of managed vehicles	15	15
External AUM (end of period) (\$ billion)	24.6	21.6

The management division has contributed operating EBIT of \$59.7 million, an increase of 4% compared to the prior half year. Management EBIT comprises 16% of total operating EBIT for the half year (2013: 16%).

The size and scale of Goodman's management operations are important for maintaining strong margins and during the half year external AUM have increased to \$24.6 billion from \$22.4 billion at 30 June 2014, an increase of 10%. This growth is notwithstanding the asset recycling initiatives undertaken across the platform and reflects development completions and valuation uplifts during the half year.

Goodman's global capital partners and customers are attracted by the Goodman's sector specialism and development capabilities. During the half year, Goodman's managed funds have raised \$1.5 billion in new third party equity and as at 31 December 2014, undrawn equity and undrawn debt facilities of \$6.4 billion mean that the managed funds have significant scope to participate in further development opportunities from Goodman and broader markets should they arise.

Capital management

During the half year, Goodman entered into new bank facilities of \$320 million such that available liquidity at 31 December 2014 is \$1.5 billion with debt maturities covered up to December 2018. Gearing remains low at 20.2% (30 June 2014: 19.5%) and interest cover remains stable at 5.9 times (30 June 2014: 5.9 times).

The distribution reinvestment plan (DRP) was also in place for the six months ended 31 December 2014, raising a total of \$45 million.

Across the global platform, Goodman has continued to deliver on its strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets. During the half year, Goodman and its managed funds procured \$2.2 billion of facilities (including the \$320 million referred to above) with an average term of 5.0 years.

Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014

Operating and financial review (cont)

Balance sheet

	31 Dec 2014	30 Jun 2014
	\$M	\$M
Stabilised investment properties	2,348.9	2,190.7
Cornerstone investments in managed funds	3,778.1	3,434.2
Development holdings	2,453.0	2,202.7
Intangible assets	966.8	932.7
Cash	480.0	359.9
Other assets	375.4	283.7
Total assets	10,402.2	9,403.9
Interest bearing liabilities	2,583.2	2,160.5
Other liabilities	1,035.1	1,013.0
Total liabilities	3,618.3	3,173.5
Non-controlling interests	325.8	325.8
Net assets attributable to Securityholders	6,458.1	5,904.6
Net assets per security (\$)	3.70	3.42
Net tangible assets per security ¹ (\$)	3.15	2.88
Gearing ² (%)	20.2	19.5

1. Net tangible assets per security are stated after deducting amounts due to other non-controlling interests.
2. 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 \$121.6 million – refer to note 8 to the interim financial statements.

The value of stabilised investment properties has increased by \$158 million to \$2,349 million, which is primarily due to the revaluation gains during the half year of \$183.5 million partially offset by asset disposals. The majority of the stabilised investment properties are in Australia and include a number of sites with potential for urban renewal, and positive planning outcomes on these sites have been the principal driver of the valuation gains.

The value of cornerstone investments in managed funds has increased by \$344 million to \$3,778 million, of which \$132 million is a result of movement in the foreign currency. However, investment has continued in most divisions, particularly Greater China, as Goodman continues its development led investment strategy. At the same time, asset disposals have occurred in Australia and the United Kingdom as the managed funds capitalise on the strong investment market. This strong investment market has also resulted in a tightening of capitalisation rates, resulting in valuation gains of \$119.3 million.

Goodman has increased its development holdings with the balance sheet expanding by \$250 million to \$2,453 million. This includes \$112 million of foreign currency exchange movements with increased development activity in Greater China, North America and Brazil. The overall development work in progress including funds (based on end value) is \$2.9 billion, up from \$2.6 billion at 30 June 2014.

The principal intangible asset balances are in Continental Europe and the United Kingdom. The movement in the half year is a result of foreign currency exchange movements.

Interest bearing liabilities, net of cash, are \$2,103 million compared to \$1,800 million at 30 June 2014. The increase is due to foreign currency exchange movements of \$242 million and drawdowns to fund capital investment in Goodman's investment and development businesses. Movements in other assets and liabilities mainly reflect the changes in Goodman's derivative financial instruments.

Outlook

Goodman's first half result has outperformed expectations and is in a strong position to maintain its earnings momentum in the second half of FY15, by selectively pursuing high quality growth opportunities in key logistics markets globally.

Goodman is deriving significant benefit from its geographically diverse operating platform and the differing timing of economic cycles. Combined with the ongoing investor demand for high quality industrial assets, Goodman continues to be opportunistic in markets where strong pricing is providing attractive conditions to selectively rotate assets where value has been maximised, including urban renewal opportunities. This is driving enhanced investor returns, with Goodman reinvesting significant capital into new developments and property investment opportunities.

Accordingly, Goodman is forecasting a full year operating earnings per security of 37.2 cents, up 7% on the prior financial year and forecast distribution of 22.2 cents per security.

**Goodman Limited and its controlled entities
Directors' report
for the half year ended 31 December 2014**

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 interim financial report, which would require adjustment or disclosure in the interim financial report.

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

The lead auditor's independence declaration is set out on page 10 and forms part of the Directors' report for the half 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 interim 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, 12 February 2015



Gregory Goodman
Group Chief Executive Officer



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 review for the half-year ended 31 December 2014, there have been:

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



KPMG

John Teer
Partner

Sydney

12 February 2015

Goodman Limited and its controlled entities
Consolidated interim statement of financial position
as at 31 December 2014

		Consolidated	
		31 Dec 2014	30 Jun 2014
	Note	\$M	\$M
Current assets			
Cash		480.0	359.9
Receivables		295.9	354.8
Inventories	6(b)	66.4	121.1
Current tax receivables		11.2	9.1
Other assets		10.6	15.1
Total current assets		864.1	860.0
Non-current assets			
Receivables		271.8	169.4
Inventories	6(b)	1,266.8	1,009.0
Investment properties	6(b)	2,697.0	2,532.9
Investments accounted for using the equity method	6(b)	4,302.1	3,855.6
Deferred tax assets		12.8	11.6
Other financial assets		0.8	13.1
Plant and equipment		18.6	19.2
Intangible assets	7	966.8	932.7
Other assets		1.4	0.4
Total non-current assets		9,538.1	8,543.9
Total assets		10,402.2	9,403.9
Current liabilities			
Payables		223.6	266.2
Current tax payables		38.7	48.4
Employee benefits		42.3	60.8
Provisions		197.5	182.7
Total current liabilities		502.1	558.1
Non-current liabilities			
Payables		485.9	412.3
Interest bearing liabilities	9	2,583.2	2,160.5
Deferred tax liabilities		6.5	4.0
Employee benefits		30.6	29.3
Provisions		10.0	9.3
Total non-current liabilities		3,116.2	2,615.4
Total liabilities		3,618.3	3,173.5
Net assets		6,783.9	6,230.4
Equity attributable to Goodman Limited (GL)			
Issued capital	12	465.7	461.2
Reserves	13	(435.8)	(279.8)
Retained earnings	14	379.5	14.9
Total equity attributable to GL		409.4	196.3
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	12	6,809.4	6,774.1
Reserves	13	(449.5)	(1,133.5)
Accumulated losses	14	(1,187.2)	(720.9)
Total equity attributable to GIT		5,172.7	4,919.7
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	12	617.2	611.6
Reserves	13	121.6	82.8
Retained earnings	14	137.2	94.2
Total equity attributable to GLHK		876.0	788.6
Total equity attributable to Securityholders		6,458.1	5,904.6
Other non-controlling interests		325.8	325.8
Total equity		6,783.9	6,230.4

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

Goodman Limited and its controlled entities
Consolidated interim income statement
for the half year ended 31 December 2014

		Consolidated	
	Note	2014 \$M	2013 \$M
Revenue			
Gross property income		104.3	105.6
Management income		104.8	97.4
Development income	5	400.5	311.3
Distributions from investments		-	1.3
		609.6	515.6
Property and development expenses			
Property expenses		(30.1)	(29.7)
Development expenses	5	(320.8)	(242.4)
		(350.9)	(272.1)
Other income			
Net gain from fair value adjustments on investment properties	6(d)	183.5	46.8
Net gain on disposal of investment properties		8.5	0.8
Share of net results of equity accounted investments	5	313.7	225.0
Net gain on disposal of equity investments	5	0.4	0.6
		506.1	273.2
Other expenses			
Employee expenses		(68.3)	(63.1)
Share based payments expense		(23.5)	(14.4)
Administrative and other expenses		(36.2)	(35.5)
Impairment losses	5	(16.8)	(4.5)
		(144.8)	(117.5)
Profit before interest and tax		620.0	399.2
Net finance income/(expense)			
Finance income	8	29.1	3.9
Finance expense	8	(116.3)	(226.9)
Net finance expense		(87.2)	(223.0)
Profit before income tax		532.8	176.2
Income tax expense		(9.2)	(5.0)
Profit for the half year		523.6	171.2
Profit attributable to GL		207.6	71.7
Profit attributable to GIT (non-controlling interests)		260.3	61.8
Profit attributable to GLHK (non-controlling interests)		44.8	26.9
Profit attributable to Securityholders		512.7	160.4
Profit attributable to other non-controlling interests		10.9	10.8
Profit for the half year		523.6	171.2
Basic profit per security (¢)	3	29.5	9.3
Diluted profit per security (¢)	3	28.6	9.2

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

Goodman Limited and its controlled entities
Consolidated interim statement of comprehensive income
for the half year ended 31 December 2014

		Consolidated	
		2014	2013
	Note	\$M	\$M
Profit for the half year		523.6	171.2
Other comprehensive income for the half year			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit superannuation funds	13(e)	-	(0.8)
Effect of foreign currency translation	13(e)	(1.2)	(2.4)
		(1.2)	(3.2)
Items that are or may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	13(a)	(0.1)	(0.2)
Cash flow hedges:			
- Change in value of financial instruments	13(b)	0.6	0.4
- Transfers from cash flow hedge reserve	13(b)	3.9	1.4
Effect of foreign currency translation		168.2	264.3
		172.6	265.9
Other comprehensive income for the half year, net of income tax		171.4	262.7
Total comprehensive income for the half year		695.0	433.9
Total comprehensive income attributable to GL		185.0	31.9
Total comprehensive income attributable to GIT		419.0	303.1
Total comprehensive income attributable to GLHK		80.1	88.1
Total comprehensive income attributable to Securityholders		684.1	423.1
Other non-controlling interests		10.9	10.8
Total comprehensive income for the half year		695.0	433.9

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

Goodman Limited and its controlled entities
Consolidated interim statement of changes in equity
for the half year ended 31 December 2014

Half year ended 31 December 2013

Consolidated	Attributable to Securityholders						
		Issued capital	Reserves	Accumulated losses	Total	Other non-controlling interests	Total equity
	Note	\$M	\$M	\$M	\$M	\$M	\$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 half year							
Profit for the half year	14	-	-	160.4	160.4	10.8	171.2
Other comprehensive income for the half year, net of income tax		-	262.7	-	262.7	-	262.7
Total comprehensive income for the half year, net of income tax		-	262.7	160.4	423.1	10.8	433.9
Transfers		-	85.7	(85.7)	-	-	-
Contributions by and distributions to owners							
- Dividends/distributions declared on stapled securities	11	-	-	(266.6)	(266.6)	-	(266.6)
- Distributions paid on Goodman PLUS Trust hybrid securities (Goodman PLUS)	11	-	-	-	-	(16.5)	(16.5)
- Equity settled share based payments expense recognised in the income statement	13(d)	-	11.3	-	11.3	-	11.3
Balance at 31 December 2013		7,804.8	(1,294.8)	(838.0)	5,672.0	325.8	5,997.8

Half year ended 31 December 2014

Consolidated	Attributable to Securityholders						
		Issued capital	Reserves	Accumulated losses	Total	Other non-controlling interests	Total equity
	Note	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2014		7,846.9	(1,330.5)	(611.8)	5,904.6	325.8	6,230.4
Total comprehensive income for the half year							
Profit for the half year	14	-	-	512.7	512.7	10.9	523.6
Other comprehensive income for the half year, net of income tax		-	171.4	-	171.4	-	171.4
Total comprehensive income for the half year, net of income tax		-	171.4	512.7	684.1	10.9	695.0
Transfers		-	377.7	(377.7)	-	-	-
Contributions by and distributions to owners							
- Distribution reinvestment plan	12	45.4	-	-	45.4	-	45.4
- Distributions declared on stapled securities	11	-	-	(193.7)	(193.7)	-	(193.7)
- Distributions paid on Goodman PLUS	11	-	-	-	-	(10.9)	(10.9)
- Equity settled share based payments expense recognised in the income statement	13(d)	-	17.7	-	17.7	-	17.7
Balance at 31 December 2014		7,892.3	(763.7)	(670.5)	6,458.1	325.8	6,783.9

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

Goodman Limited and its controlled entities
Consolidated interim cash flow statement
for the half year ended 31 December 2014

	Consolidated	
	2014	2013
	\$M	\$M
Cash flows from operating activities		
Property income received	109.9	107.8
Cash receipts from development activities	534.6	464.9
Other cash receipts from services provided	136.8	99.2
Property expenses paid	(25.7)	(26.8)
Payments for development activities	(494.7)	(431.6)
Other cash payments in the course of operations	(148.4)	(130.9)
Dividends/distributions received from equity accounted investments	259.3	90.4
Interest received	14.7	12.2
Finance costs paid	(38.8)	(43.6)
Net income taxes paid	(19.9)	(3.2)
Net cash provided by operating activities	327.8	138.4
Cash flows from investing activities		
Proceeds from disposal of investment properties	23.5	14.5
Proceeds from disposal of controlled entities, net of cash disposed	29.6	-
Proceeds from disposal of equity investments	0.4	253.9
Payments for equity investments	(257.6)	(227.9)
Payments for investment properties	(31.7)	(27.2)
Payments for plant and equipment	(1.6)	(0.9)
Net cash (used in)/provided by investing activities	(237.4)	12.4
Cash flows from financing activities		
Net cash flows from loans to related parties	(7.2)	17.8
Proceeds from borrowings	436.0	195.7
Repayments of borrowings	(254.8)	(261.3)
Dividends/distributions paid	(144.3)	(182.7)
Net cash provided by/(used in) financing activities	29.7	(230.5)
Net increase/(decrease) in cash held	120.1	(79.7)
Cash at the beginning of the half year	359.9	645.4
Cash at the end of the half year	480.0	565.7

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

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Basis of preparation

1. Statement of significant accounting policies

The Company is a company domiciled in Australia. The interim financial statements for the half year comprise the Company and its controlled entities and the Consolidated Entity's interests in associates and joint ventures (JVs).

Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report is presented in Australian dollars and was authorised for issue by the Directors on 12 February 2015.

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the Consolidated Entity as at and for the year ended 30 June 2014.

There are no significant changes to the Consolidated Entity's half year income statement, statement of comprehensive income or statement of financial position as a result of the application of the new and amended standards and interpretations mandatory for annual reporting periods beginning on or after 1 July 2014.

Australian Accounting Standards issued but not yet effective

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

- + revisions to AASB 9 Financial Instruments include requirements for the classification and measurement of financial assets and replaces AASB 139 Financial Instruments: Recognition and Measurement. The revised AASB 9 Financial Instruments will become mandatory for the Consolidated Entity's 30 June 2019 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard; and
- + AASB 15 Revenue from Contracts with Customers provides a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The new standard will become mandatory for the Consolidated Entity's 30 June 2018 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard.

Rounding

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

2. Critical accounting estimates used in the preparation of the financial statements

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

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

- + Note 6 – Property assets;
- + Note 7 – Intangible assets; and
- + Note 10 – Financial instruments.

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

Measurement of fair values

A number of 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 10 – Financial instruments.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Results for the half year

3. Earnings per Company share/security

		2014	2013
	Note	¢	¢
Profit per Company share			
Basic profit per Company share	3(a)	11.9	4.2
Diluted profit per Company share	3(a)	11.5	4.1
Profit per security			
Basic profit per security	3(a)	29.5	9.3
Diluted profit per security	3(a)	28.6	9.2

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

		2014	2013
	Note	\$M	\$M
Profit per Company share			
Profit after tax used in calculating basic profit per Company share	14	207.6	71.7
Impact on conversion of Goodman PLUS		2.0	-
Profit after tax used in calculating diluted profit per Company share		209.6	71.7
Profit per security			
Profit after tax used in calculating basic profit per security	14	512.7	160.4
Distribution on Goodman PLUS		10.9	-
Profit after tax used in calculating diluted profit per security		523.6	160.4

Weighted average number of shares/securities

	2014	2013
	Number of securities	
Weighted average number of shares/securities used in calculating basic profit per Company share/per security	1,739,752,297	1,716,909,827
Effect of performance rights on issue	31,345,331	27,931,774
Effect of issue of securities to Goodman PLUS holders	56,840,064	-
Weighted average number of shares/securities used in calculating diluted profit per Company share/per security	1,827,937,692	1,744,841,601

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 on the following page.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Results for the half year (cont)

4. Segment reporting (cont)

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement												
External revenues												
Gross property income	92.0	89.0	2.6	1.3	5.1	6.1	4.6	9.2	-	-	104.3	105.6
Management income	43.1	42.9	32.9	26.2	18.6	17.0	10.2	11.3	-	-	104.8	97.4
Development income	126.3	129.0	20.0	13.1	219.0	139.4	32.0	28.8	3.2	1.0	400.5	311.3
Distributions from investments	-	-	-	-	-	1.3	-	-	-	-	-	1.3
Total external revenues	261.4	260.9	55.5	40.6	242.7	163.8	46.8	49.3	3.2	1.0	609.6	515.6
Reportable segment profit/(loss) before tax	211.8	190.3	81.2	74.6	64.6	55.3	45.0	37.2	(0.9)	4.4	401.7	361.8
Share of net results of equity accounted investments:												
Operating results (excluding fair value adjustments)	92.7	75.3	41.5	45.0	18.6	19.4	35.8	24.4	1.5	7.2	190.1	171.3
Fair value adjustments - not included in reportable segment profit/(loss)	63.1	27.0	43.8	27.5	11.0	(2.8)	5.7	2.0	-	-	123.6	53.7
Other material non-cash items not included in reportable segment profit/(loss) before tax:												
Net gain/(loss) from fair value adjustments on investment properties	203.9	51.4	-	-	(9.4)	-	(11.0)	(4.6)	-	-	183.5	46.8
	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
Statement of financial position												
Reportable segment assets	4,835.4	4,458.4	1,600.7	1,327.1	1,518.2	1,472.8	1,564.8	1,524.0	373.8	271.9	9,892.9	9,054.2
Non-current assets	4,664.2	4,313.3	1,436.2	1,085.0	1,410.4	1,371.0	1,443.6	1,381.2	372.3	270.5	9,326.7	8,421.0
Included in reportable segment assets are:												
Investment properties	2,412.9	2,210.5	-	-	79.2	87.7	204.9	234.7	-	-	2,697.0	2,532.9
Investments accounted for using the equity method	2,029.7	1,909.9	1,010.0	798.0	532.8	476.9	364.8	406.8	364.8	264.0	4,302.1	3,855.6
Reportable segment liabilities	152.6	141.3	35.3	52.7	48.2	62.4	49.9	50.5	36.5	50.2	322.5	357.1

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Results for the half year (cont)

4. Segment reporting (cont)

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

	2014	2013
	\$M	\$M
Revenues		
Total revenue for reportable segments	609.6	515.6
Consolidated revenues	609.6	515.6
Profit or loss		
Total profit before tax for reportable segments	401.7	361.8
Corporate expenses not allocated to reportable segments	(48.0)	(43.4)
Operating profit before interest and tax	353.7	318.4
Valuation and other adjustments not included in reportable segment profit before tax:		
- Net gain from fair value adjustments on investment properties	183.5	46.8
- Impairment losses	(16.8)	(4.5)
- Fair value adjustments relating to associates and JVs	123.6	53.7
- Share based payments expense	(23.5)	(14.4)
- Capital profits not distributed	-	0.5
- Straight lining of rent	(0.5)	(1.3)
Profit before interest and tax	620.0	399.2
Net finance expense - refer to note 8	(87.2)	(223.0)
Consolidated profit before income tax	532.8	176.2
	31 Dec	30 Jun
	2014	2014
	\$M	\$M
Assets		
Assets for reportable segments	9,892.9	9,054.2
Other unallocated amounts	509.3	349.7
Consolidated total assets	10,402.2	9,403.9
Liabilities		
Liabilities for reportable segments	322.5	357.1
Interest bearing liabilities	2,583.2	2,160.5
Provisions for distributions to Securityholders	193.7	178.8
Other unallocated amounts	518.9	477.1
Consolidated total liabilities	3,618.3	3,173.5

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Results for the half year (cont)

5. Profit before income tax

	Consolidated	
	2014	2013
	\$M	\$M
Development activities		
Income from disposal of inventories	134.2	67.1
Net gain on disposal of special purpose development entities	2.2	5.5
Other development income	264.1	238.7
Development income	400.5	311.3
Inventory cost of sales	(120.0)	(62.5)
Other development expenses	(200.8)	(179.9)
Development expenses	(320.8)	(242.4)
Equity accounted investments		
Share of net results of investments in associates - refer to note 6(e)(i)		
- Operating results after tax (before revaluations)	144.8	116.0
- Fair value adjustments attributable to investment properties	101.0	46.8
- Fair value adjustments on derivative financial instruments	5.1	(2.7)
Share of net results of investments in JVs - refer to note 6(e)(ii)		
- Operating results after tax (before revaluations)	45.3	55.3
- Fair value adjustments attributable to investment properties	18.3	9.8
- Fair value adjustments on derivative financial instruments	(0.8)	(0.2)
Share of net results of equity accounted investments	313.7	225.0
Disposal of equity investments		
Net consideration from disposal of equity investments ¹	0.4	250.1
Carrying value of equity investments disposed	-	(249.7)
Gain on dilution of investment in associate - refer to note 6(e)(i)	-	0.2
Net gain on disposal of equity investments	0.4	0.6
Impairment losses		
Impairment of receivables	(1.2)	(1.3)
Impairment of inventories	(3.4)	(1.5)
Impairment of other financial assets	(12.2)	(1.7)
Impairment losses	(16.8)	(4.5)

1. In the prior half year, the Consolidated Entity disposed of units in Goodman Australia Industrial Fund for consideration of \$53.1 million, Goodman Japan Core Fund for consideration of \$31.9 million and Goodman European Logistics Fund for consideration of \$165.1 million.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets

6. Property assets

(a) Types of property assets

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

Inventories are carried at the lower of cost or net realisable value and investment properties are carried at fair value. The calculation of both net realisable value and fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of inventories and investment properties (both directly held and in managed funds) are set out in note 6(c).

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

		Consolidated	
		31 Dec 2014	30 Jun 2014
	Note	\$M	\$M
Inventories			
Current		66.4	121.1
Non-current		1,266.8	1,009.0
		1,333.2	1,130.1
Investment properties			
Stabilised investment properties	6(d)	2,348.9	2,190.7
Investment properties under development	6(d)	348.1	342.2
		2,697.0	2,532.9
Investments accounted for using the equity method			
Associates	6(e)(i)	3,072.3	2,851.1
JVs	6(e)(ii)	1,229.8	1,004.5
		4,302.1	3,855.6
Total property assets		8,332.3	7,518.6

(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.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

6. Property assets (cont)

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

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 stabilised 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 movements in the property cycle 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) or national or 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 a change in planning consents 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.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

6. Property assets (cont)

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

Market assessment

At 31 December 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	
	31 Dec 2014	30 Jun 2014
	%	%
Australia	7.5	7.7
New Zealand	7.9	7.9
Hong Kong	6.0	6.0
China	8.5	8.4
Japan	5.1	5.4
Logistics - Continental Europe	7.2	7.5
Logistics - United Kingdom	8.9	8.9
Business Parks - United Kingdom	7.4	8.0

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%.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

6. Property assets (cont)

(d) Investment properties

Reconciliation of carrying amount of directly held investment properties

	Stabilised investment properties		Investment properties under development		Consolidated	
	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M
Carrying amount at the beginning of the half year	2,190.7	2,090.4	342.2	315.5	2,532.9	2,405.9
Capital expenditure	20.7	11.3	14.0	14.6	34.7	25.9
Transfers	(0.4)	(9.6)	0.4	9.6	-	-
Disposals:						
- Carrying value of properties sold	(50.2)	(1.3)	-	(12.4)	(50.2)	(13.7)
- On disposal of interests in controlled entities	(31.1)	-	-	-	(31.1)	-
Transfers from/(to) inventories	17.8	-	(2.8)	-	15.0	-
Net gain/(loss) from fair value adjustments	190.6	46.8	(7.1)	-	183.5	46.8
Effect of foreign currency translation	10.8	31.9	1.4	5.6	12.2	37.5
Carrying amount at the end of the half year	2,348.9	2,169.5	348.1	332.9	2,697.0	2,502.4
Analysed as by segment:						
Australia and New Zealand					2,412.9	2,161.9
Continental Europe					79.2	91.6
United Kingdom					204.9	248.9
					2,697.0	2,502.4

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

6. Property assets (cont)

(e) Investments accounted for using the equity method

(i) Investments in associates

The Consolidated Entity's associates are set out below:

Name	Country of establishment/ incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		31 Dec 2014	31 Dec 2013	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
		\$M	\$M	%	%	\$M	\$M
Property investment associates							
Goodman Australia Industrial Fund (GAIF)	Australia	88.2	49.0	27.5	27.5	998.7	943.9
Goodman Trust Australia (GTA)	Australia	35.4	31.0	19.9	19.9	446.0	412.4
Goodman Property Trust	New Zealand	11.4	11.0	17.8	17.6	224.7	210.9
Goodman Hong Kong Logistics Fund	Cayman Islands	42.0	28.2	20.0	20.0	505.9	409.4
Goodman Japan Core Fund	Japan	12.0	2.8	22.8	23.8	139.2	114.0
Goodman European Logistics Fund (GELF)	Luxembourg	20.7	15.3	20.4	20.4	415.0	374.6
Arlington Business Parks Partnership (ABPP)	United Kingdom	41.2	22.8	43.1	43.1	342.8	385.9
		250.9	160.1			3,072.3	2,851.1

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

	Consolidated	
	2014	2013
	\$M	\$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the half year	2,851.1	2,688.0
Share of net results after tax (before revaluations) ¹	144.8	116.0
Share of fair value adjustments attributable to investment properties	101.0	46.8
Share of fair value adjustments on derivative financial instruments	5.1	(2.7)
Share of net results	250.9	160.1
Share of movements in reserves	0.3	0.2
Gain on dilution of investment	-	0.2
Transfers to investments in JVs	-	(68.0)
Acquisitions	76.0	115.3
Disposals	-	(249.7)
Capital return	(1.6)	(3.0)
Distributions received	(199.0)	(92.5)
Effect of foreign currency translation	94.6	101.3
Carrying amount at the end of the half year	3,072.3	2,651.9

1. Includes a gain of \$1.3 million on disposal of investment properties and a loss of \$1.3 million on deferred tax adjustments, both of which have been identified as non-operating.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

6. Property assets (cont)

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

(ii) Investments in JVs

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

		Consolidated share of JV's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
	Country of establishment/ incorporation	31 Dec 2014 \$M	31 Dec 2013 \$M	31 Dec 2014 %	30 Jun 2014 %	31 Dec 2014 \$M	30 Jun 2014 \$M
Name							
Property investment JVs							
KWASA Goodman Industrial Trust	Australia	10.5	7.4	40.0	40.0	192.6	189.4
Goodman China Logistics Holding Limited (GCLH)	China	9.5	10.9	20.0	20.0	273.6	179.9
Property development JVs							
Goodman Japan Development Partnership	Japan	21.9	30.4	50.0	50.0	91.3	94.7
Goodman North America Partnership	USA	-	(0.2)	55.0	55.0	207.3	153.1
WTGoodman	Brazil	1.4	7.4	50.0	50.0	157.5	110.9
Other JVs		19.5	9.0			307.5	276.5
		62.8	64.9			1,229.8	1,004.5

The reconciliation of the carrying amount of investments in JVs 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 half year	1,004.5	555.1
Share of net results after tax (before revaluations)	45.3	55.3
Share of fair value adjustments attributable to investment properties	18.3	9.8
Share of fair value adjustments on derivative financial instruments	(0.8)	(0.2)
Share of net results	62.8	64.9
Share of movements in reserves	0.2	-
Transfers from investments in associates	-	68.0
Reclassification of loan to related party ¹	-	110.6
Acquisitions	167.9	171.5
Capital return	(17.7)	(2.2)
Distributions/dividends received	(43.1)	(11.4)
Effect of foreign currency translation	55.2	16.3
Carrying amount at the end of the half year	1,229.8	972.8

1. During the prior half 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.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

7. Intangible assets

	Consolidated	
	31 Dec 2014	30 Jun 2014
	\$M	\$M
Goodwill	677.9	661.8
Management rights	288.9	270.9
	966.8	932.7

An analysis of the intangible assets at 31 December 2014 is set out below:

	31 Dec 2014	30 Jun 2014
	\$M	\$M
Carrying amounts		
Goodwill		
Japan	14.3	14.7
Logistics - Continental Europe	563.6	552.5
Logistics - United Kingdom	93.9	89.3
North America	6.1	5.3
Subtotal - goodwill	677.9	661.8
Management rights		
New Zealand	6.5	6.3
Hong Kong	24.8	21.5
China	33.4	28.9
Logistics - Continental Europe	32.1	31.5
Business Parks - United Kingdom	192.1	182.7
Subtotal - management rights	288.9	270.9
Total	966.8	932.7

During the half year, there have been no impairments and no reversals of impairments in respect of the Consolidated Entity's intangible assets (2013: \$nil).

Impairment testing for intangible assets

Detailed impairment testing based on cash flow forecasts was performed as at 30 June 2014 and the results disclosed in the Consolidated Entity's annual report.

One of the key assumptions in relation to the impairment testing is that the management rights are assessed to have an indefinite life as these rights are routinely renewed at minimal cost.

At 31 December 2014, there were no indicators of impairment for intangible assets. For the intangible assets relating to Logistics - Continental Europe, Logistics - United Kingdom and Business Parks – United Kingdom, given the quantum of the carrying value and relatively low level of headroom, the cash flow forecasts have been reviewed and the discount rates updated. The cash flow forecast assumptions are broadly consistent with those adopted at 30 June 2014 and a summary of the key assumptions is included in the following table.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

7. Intangible assets (cont)

Impairment testing for intangible assets (cont)

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	31 Dec 2014	702.1	129.6	197.1
	30 Jun 2014	641.9	119.4	189.8
Pre-tax discount rate (pa) ²	31 Dec 2014	11.2%	13.4%	9.4%
	30 Jun 2014	12.6%	14.5%	9.8%
Average annual development (million square metres)	31 Dec 2014	0.73	0.18	0.02
	30 Jun 2014	0.70	0.18	0.03
Average annual growth in assets under management (AUM) ³	31 Dec 2014	6.5%	32.9%	10.6%
	30 Jun 2014	9.7%	46.2%	3.5%
Total performance fees (A\$M)	31 Dec 2014	-	-	19.8
	30 Jun 2014	-	-	19.8
Average annual increase in operating expenses	31 Dec 2014	6.1%	7.0%	-
	30 Jun 2014	9.2%	1.7%	-

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. The value in use balance is translated at the foreign currency exchange rate as at the end of the financial period.
2. A risk premium is included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division.
3. AUM growth rate is highest in Logistics – United Kingdom, which reflects the fact that the initial portfolios contain a low number of completed properties and the AUM is augmented by completed developments over the forecast period.

Logistics – Continental Europe

Logistics – Continental Europe has performed in line with forecasts despite the continued low level of growth in the region. It is forecast that development starts (by area) per annum will increase to and be maintained at 0.8 million square metres of business space over the forecast period and AUM will grow by an average of 6.5% per annum over the five year forecast period.

United Kingdom

The strong investment market in the United Kingdom has resulted in declining capitalisation rates across the majority of property assets. Both the Logistics and the Business Parks divisions in the United Kingdom have taken advantage of this market by selling assets to third parties.

Logistics

For Logistics – United Kingdom, development activity is forecast to increase over the forecast period and be maintained at a level between 0.2 and 0.3 million square metres business space per annum. The majority of the completed developments are expected to be sold to third parties.

Business Parks

During the half year, there have been a number of asset disposals by ABPP and the AUM has decreased from £0.7 billion to £0.5 billion. However, management is continuing to develop the division's existing land bank and the forecast assumes that beyond this current phase in the property cycle acquisition, opportunities will exist and will be supported by return metrics, in order that AUM can be increased.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Operating assets (cont)

7. Intangible assets (cont)

Assumptions impacting the terminal year

		Logistics - Continental Europe	Logistics - United Kingdom	Business Parks - United Kingdom
Growth rate (pa) ¹	31 Dec 2014	0.6%	2.6%	2.6%
	30 Jun 2014	1.7%	3.1%	3.1%
Development in terminal year (million square metres)	31 Dec 2014	0.80	0.22	0.03
	30 Jun 2014	0.80	0.22	0.03
Development in terminal year (cost in A\$ billion) ²	31 Dec 2014	0.62	0.28	0.09
	30 Jun 2014	0.70	0.28	0.09

1. Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast.
2. The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed funds.

Since 30 June 2014, the principal change to the terminal year assumptions is a decrease in growth rate consistent with the lower levels of inflation in most markets.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Capital management

8. Finance income and expense

	Consolidated	
	2014	2013
	\$M	\$M
Finance income		
Interest income from:		
- Related parties	1.1	1.3
- Other parties	1.6	2.6
Fair value adjustments on derivative financial instruments ¹	26.4	-
	29.1	3.9
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(53.6)	(45.9)
Other borrowing costs	(6.8)	(10.6)
Fair value adjustments on derivative financial instruments ¹	-	(182.2)
Foreign exchange loss ²	(106.9)	(34.5)
Capitalised borrowing costs	51.0	46.3
	(116.3)	(226.9)
Net finance expense	(87.2)	(223.0)

1. 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 13(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.
2. Foreign exchange loss includes an unrealised loss of \$107.1 million (2013: unrealised loss of \$34.2 million) on translation of the United States senior notes (refer to note 9(c)) and the Japanese yen denominated private placement (refer to note 9(d)).
3. At 31 December 2014, the fair values of the Consolidated Entity's cross currency interest rate swaps entered into to hedge the United States senior notes (refer to note 9(c)) included a \$121.6 million asset (30 June 2014: \$46.3 million asset).

9. Interest bearing liabilities

		Consolidated	
		31 Dec 2014	30 Jun 2014
	Note	\$M	\$M
Bank loans, unsecured	9(a)	343.5	155.4
Euro medium-term notes, unsecured	9(b)	477.1	453.6
US senior notes, unsecured	9(c)	1,622.8	1,406.0
Foreign private placements, unsecured	9(d)	167.8	170.2
Borrowing costs		(28.0)	(24.7)
		2,583.2	2,160.5

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Capital management (cont)

9. Interest bearing liabilities (cont)

(a) Bank loans, unsecured

Unsecured bank loans at 31 December 2014 are summarised as follows:

Facility	Facility maturity date	Facility limit - A\$M equivalent	Amounts drawn down in A\$M			
			NZD	JPY	EUR	Total
Bank loan 1	31 Jul 2018	150.0	-	-	-	-
Bank loan 2	31 Jul 2018	162.3	157.7	-	-	157.7
Bank loan 3	31 Jul 2018	148.2	-	-	15.6	15.6
Bank loan 4	31 Jul 2018	179.4	-	-	-	-
Bank loan 5	31 Jul 2018	105.0	-	-	-	-
Bank loan 6	31 Jul 2018	47.7	14.6	-	-	14.6
Bank loan 7	31 Aug 2018	104.0	-	-	-	-
Bank loan 8	31 Aug 2018	47.7	47.7	-	-	47.7
Bank loan 9	31 Dec 2018	159.0	-	-	-	-
Bank loan 10	29 Sep 2019	81.8	-	41.5	-	41.5
Bank loan 11	29 Sep 2019	153.3	-	66.4	-	66.4
Bank loan 12	30 Sep 2019	37.5	-	-	-	-
Bank loan 13	30 Sep 2019	45.9	-	-	-	-
Total bank loans, unsecured	at 31 Dec 2014	1,421.8	220.0	107.9	15.6	343.5
	at 30 Jun 2014	1,296.7	155.4	-	-	155.4

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

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Capital management (cont)

9. Interest bearing liabilities (cont)

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$477.1 million (30 June 2014: A\$453.6 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.

(c) United States senior notes, unsecured

As at 31 December 2014, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$398.0 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\$612.4 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\$612.4 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 31 December 2014, the Consolidated Entity had the following unsecured foreign private placements:

- + A\$40.0 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$127.8 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 31 December 2014		
Bank loans, unsecured	1,421.8	343.5
Euro medium-term notes, unsecured	477.1	477.1
United States senior notes, unsecured	1,622.8	1,622.8
Foreign private placements, unsecured	167.8	167.8
Bank guarantees ¹	-	23.8
	3,689.5	2,635.0
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

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

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Capital management (cont)

10. Financial instruments

Fair values of financial instruments

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

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

	Carrying amount 31 Dec 2014 \$M	Fair value 31 Dec 2014 \$M	Carrying amount 30 Jun 2014 \$M	Fair value 30 Jun 2014 \$M
Consolidated				
Financial assets				
Cash	480.0	480.0	359.9	359.9
Receivables:				
- Loans and receivables	373.1	373.1	421.0	421.0
- Interest rate swaps	48.3	48.3	28.6	28.6
- Cross currency interest rate swaps	146.2	146.2	74.6	74.6
- Foreign exchange contracts	0.1	0.1	0.1	0.1
Other financial assets:				
- Investments in unlisted securities	0.8	0.8	13.1	13.1
	1,048.5	1,048.5	897.3	897.3
Financial liabilities				
Payables:				
- Trade payables and other payables and accruals	330.4	330.4	374.7	374.7
- Interest rate swaps	77.4	77.4	74.7	74.7
- Cross currency interest rate swaps	301.7	301.7	229.1	229.1
Interest bearing liabilities ¹	2,583.2	2,970.9	2,160.5	2,522.1
	3,292.7	3,680.4	2,839.0	3,200.6

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 31 December 2014.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Capital management (cont)

10. Financial instruments (cont)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (refer to note 2):

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 31 December 2014				
Available for sale financial assets	-	-	0.8	0.8
Derivative financial assets	-	194.6	-	194.6
	-	194.6	0.8	195.4
Derivative financial liabilities	-	379.1	-	379.1
	-	379.1	-	379.1
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

During the half year, the Level 3 available for sale financial assets relating to Goodman European Business Parks Fund (GEBPF) were impaired. The fair value was determined by reference to the net asset value of GEBPF, which incorporated the fair values of investment properties.

11. Dividends and distributions

(a) Dividends declared by the Company

No dividends were declared or paid by the Company during the half year and up to the date of this interim financial report. In the prior half year, the Company declared and paid a fully franked dividend of 5.2 cents per share amounting to \$88.7 million relating to performance in the 2013 financial year.

(b) Distributions declared and paid by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the half years ended			
- 31 Dec 2014	11.10	193.7	20 Feb 2015
- 31 Dec 2013	10.35	177.9	21 Feb 2014

(c) Dividends declared by GLHK

No dividends were declared or paid by GLHK during the half year and up to the date of this interim financial report (2013: \$nil).

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Capital management (cont)

11. Dividends and distributions (cont)

(d) Distributions declared and paid by Goodman PLUS Trust

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

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the period ended 31 December 2014			
- 30 Sep 2014	165.7	5.4	30 Sep 2014
- 31 Dec 2014	166.3	5.5	31 Dec 2014
	332.0	10.9	
Distributions for the period ended 31 December 2013¹			
- 30 Sep 2013	169.1	5.5	30 Sep 2013
- 31 Dec 2013	162.7	5.3	31 Dec 2013
	331.8	10.8	

1. In the prior half year, the distribution for the quarter ended 30 June 2013 amounting to \$5.7 million was paid on 1 July 2013.

12. Issued capital

	31 Dec 2014 Number of securities	30 Jun 2014	31 Dec 2014 \$M	30 Jun 2014 \$M
Stapled securities - issued and fully paid	1,745,460,061	1,727,685,976	8,052.7	8,007.3
Less: Accumulated issue costs			(160.4)	(160.4)
Total issued capital			7,892.3	7,846.9

Terms and conditions

Stapled security means one share in the Company stapled to one unit in GIT and one Chess Depositary Interest 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.

Date	Details	Number of securities	Issue price \$	GL \$M	GIT \$M	GLHK \$M	Security- holders \$M
1 Jul 2013	Opening balance	1,713,233,947		468.4	6,890.0	606.7	7,965.1
2 Sep 2013	Securities issued to employees under the Long Term Incentive Plan (LTIP)	5,465,002	-	-	-	-	-
27 Sep 2013	Securities issued to employees under the Goodman Tax Exempt Plan (GTEP)	43,860	-	-	-	-	-
21 Feb 2014	Distribution reinvestment plan	8,943,167	4.72	4.2	32.5	5.5	42.2
30 Jun 2014	Balance before accumulated issue costs	1,727,685,976		472.6	6,922.5	612.2	8,007.3
26 Aug 2014	Distribution reinvestment plan	8,888,516	5.11	4.5	35.3	5.6	45.4
1 Sep 2014	Securities issued to employees under the LTIP	8,843,233	-	-	-	-	-
8 Oct 2014	Securities issued to employees under the GTEP	42,336	-	-	-	-	-
	Less: Accumulated issue costs			(11.4)	(148.4)	(0.6)	(160.4)
31 Dec 2014	Closing balance	1,745,460,061		465.7	6,809.4	617.2	7,892.3

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Other items

13. Reserves

	Note	Consolidated	
		31 Dec 2014	30 Jun 2014
		\$M	\$M
Asset revaluation reserve	13(a)	(706.8)	(1,105.7)
Cash flow hedge reserve	13(b)	(5.8)	(9.7)
Foreign currency translation reserve	13(c)	(86.9)	(257.1)
Employee compensation reserve	13(d)	59.3	64.3
Defined benefit funds actuarial losses reserve	13(e)	(23.5)	(22.3)
Total reserves		(763.7)	(1,330.5)

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

	GL		GIT		GLHK		Securityholders	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
(a) Asset revaluation reserve								
Balance at the beginning of the half year	(178.0)	(206.5)	(929.8)	(1,008.0)	2.1	(10.5)	(1,105.7)	(1,225.0)
(Decrease)/increase due to revaluation of other financial assets	(0.6)	(1.2)	0.5	1.0	-	-	(0.1)	(0.2)
Transfers to/from (accumulated losses)/retained earnings	(134.3)	27.2	532.9	66.6	1.8	7.7	400.4	101.5
Effect of foreign currency translation	(6.4)	(21.6)	3.0	(72.9)	2.0	(0.9)	(1.4)	(95.4)
Balance at the end of the half year	(319.3)	(202.1)	(393.4)	(1,013.3)	5.9	(3.7)	(706.8)	(1,219.1)
(b) Cash flow hedge reserve								
Balance at the beginning of the half year	(0.1)	(0.1)	(9.6)	(12.6)	-	-	(9.7)	(12.7)
Change in value of financial instruments	-	-	0.6	0.4	-	-	0.6	0.4
Transfers to the income statement	-	-	3.9	1.4	-	-	3.9	1.4
Effect of foreign currency translation	(0.1)	-	(0.5)	(0.8)	-	-	(0.6)	(0.8)
Balance at the end of the half year	(0.2)	(0.1)	(5.6)	(11.6)	-	-	(5.8)	(11.7)
(c) Foreign currency translation reserve								
Balance at the beginning of the half year	(83.5)	(26.4)	(251.1)	(497.0)	77.5	72.6	(257.1)	(450.8)
Net exchange differences on conversion of foreign operations	(14.3)	(13.8)	151.2	312.2	33.3	62.1	170.2	360.5
Balance at the end of the half year	(97.8)	(40.2)	(99.9)	(184.8)	110.8	134.7	(86.9)	(90.3)
(d) Employee compensation reserve								
Balance at the beginning of the half year	4.1	2.4	57.0	49.0	3.2	1.0	64.3	52.4
Equity settled share based payment expense	14.5	8.7	-	-	3.2	2.6	17.7	11.3
Transfers to (accumulated losses)/retained earnings	(22.7)	(15.8)	-	-	-	-	(22.7)	(15.8)
Other transfers	9.1	8.3	(7.6)	(6.8)	(1.5)	(1.5)	-	-
Balance at the end of the half year	5.0	3.6	49.4	42.2	4.9	2.1	59.3	47.9
(e) Defined benefit funds actuarial losses reserve								
Balance at the beginning of the half year	(22.3)	(18.4)	-	-	-	-	(22.3)	(18.4)
Actuarial losses on defined benefit superannuation funds	-	(0.8)	-	-	-	-	-	(0.8)
Effect of foreign currency translation	(1.2)	(2.4)	-	-	-	-	(1.2)	(2.4)
Balance at the end of the half year	(23.5)	(21.6)	-	-	-	-	(23.5)	(21.6)
Total reserves	(435.8)	(260.4)	(449.5)	(1,167.5)	121.6	133.1	(763.7)	(1,294.8)

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Other items (cont)

14. (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 and GLHK and their unitholding in GIT:

	GL		GIT		GLHK		Securityholders	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at the beginning of the half year	14.9	9.3	(720.9)	(679.8)	94.2	24.4	(611.8)	(646.1)
Profit for the half year	207.6	71.7	260.3	61.8	44.8	26.9	512.7	160.4
Transfers to/from asset revaluation reserve	134.3	(27.2)	(532.9)	(66.6)	(1.8)	(7.7)	(400.4)	(101.5)
Transfers from employee compensation reserve	22.7	15.8	-	-	-	-	22.7	15.8
Dividends/distributions declared	-	(88.7)	(193.7)	(177.9)	-	-	(193.7)	(266.6)
Balance at the end of the half year	379.5	(19.1)	(1,187.2)	(862.5)	137.2	43.6	(670.5)	(838.0)

15. Significant non-cash transactions

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

- + the Consolidated Entity's DRP was in place during the half year. In relation to the distribution paid in August 2014, \$45.4 million was issued in the form of stapled securities; and
- + the Consolidated Entity has received a distribution of \$1.4 million from Goodman Australia Development Fund in the form of units in the fund.

In the prior half year, the Consolidated Entity received a distribution from GTA of \$13.5 million in the form of units in the fund.

16. Commitments

Development activities

At 31 December 2014, the Consolidated Entity was committed to expenditure in respect of \$277.3 million (30 June 2014: \$252.7 million) on inventories and other development activities.

Investment properties

At 31 December 2014, capital expenditure commitments on the Consolidated Entity's existing investment property portfolio were \$19.8 million (30 June 2014: \$4.7 million).

Managed funds

At 31 December 2014, the Consolidated Entity has made the following equity commitments in managed funds:

- + \$100.0 million (30 June 2014: \$123.2 million) into GELF; and
- + \$14.9 million (30 June 2014: \$66.8 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.

Goodman Limited and its controlled entities
Notes to the interim financial statements
for the half year ended 31 December 2014

Other items (cont)

17. Related parties

Transactions with associates and JVs

The significant transactions with associates and JVs are set out as follows:

	Revenue from disposal of investment properties		Revenue from management and development activities		Interest charged on loans to related parties	
	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M
Associates	-	-	368.6	101.5	0.6	0.6
JVs	-	14.3	94.4	141.8	0.5	0.7

18. 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 interim financial report, which would require adjustment or disclosure in the interim financial report.

Goodman Limited and its controlled entities
Directors' declaration

In the opinion of the directors of Goodman Limited:

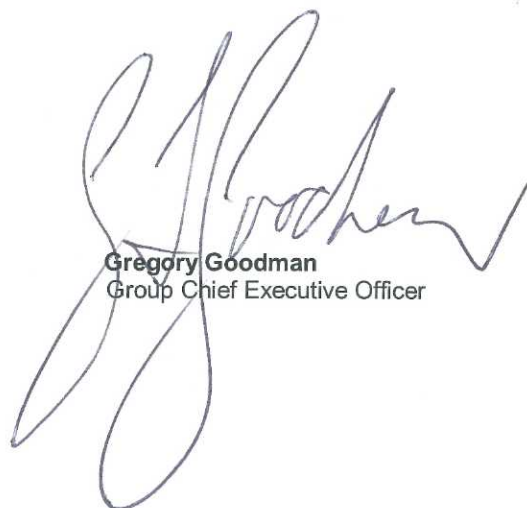
- (a) the interim financial statements and the accompanying notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman

Sydney, 12 February 2015



Gregory Goodman
Group Chief Executive Officer

Independent auditor's review report to the members of Goodman Limited

We have reviewed the accompanying interim financial report of Goodman Limited, which comprises the consolidated interim statement of financial position as at 31 December 2014, consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim cash flow statement for the half-year ended on that date, notes 1 to 18 comprising a statement 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Goodman Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

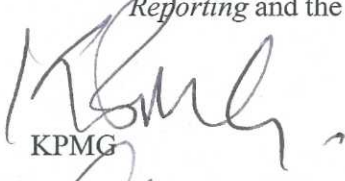
Independence

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

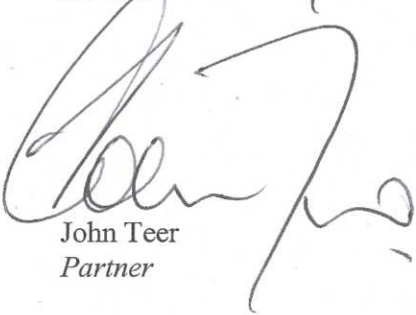
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Goodman Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



John Teer
Partner

Sydney

12 February 2015