



Announcement to Singapore Exchange

14 August 2014

**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 FULL YEAR ENDED 30
JUNE 2014 – PART 1**

We attach the Goodman Group Results including the Australian Securities Exchange (ASX) release, Appendix 4E statement under the ASX Listing Rules and consolidated Goodman Limited Financial Report for the Full Year Ended 30 June 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

Goodman Group

Goodman Limited | ABN 69 000 123 071
Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621
as responsible entity of Goodman Industrial Trust | ARSN 091213 839

Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia
Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited 嘉民物流(香港)有限公司 | Company No. 1700359 | ARBN 155 911 149
a Hong Kong company with limited liability
Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070
info-au@goodman.com | www.goodman.com

asx release+

Goodman grows full year operating profit to \$601 million, in line with upgraded guidance

Date 14 August 2014

Release Immediate

Goodman Group (Goodman or Group) today announced its results for the full year ended 30 June 2014, delivering an operating profit of \$601 million. Key financial and operational highlights for the period are:

Financial highlights

- + Operating profit of \$601 million¹, a 10% increase on same period last year
- + Statutory profit of \$657 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 34.8 cents², up 7% on FY13
- + Total distribution of 20.7 cents per stapled security, up 7% on FY13
- + Strong financial position maintained – balance sheet gearing of 19.5%³ and interest coverage ratio (ICR) of 5.9x
- + Group's liquidity at \$1.5 billion, with weighted average debt maturity of 5.4 years
- + Positioned to deliver target long-term EPS growth of 6%, representing forecast FY15 operating EPS of 36.9 cents (up 6% on FY14)
- + Target distribution payout ratio unchanged at 60%, resulting in a forecast FY15 distribution of 22.2 cents per security, up 7% on FY14

Operational highlights

- + Total assets under management of \$26.8 billion, up 14% on FY13, reflecting investor 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 4.9 years
- + Development work in progress at \$2.6 billion across 76 projects, 53% pre-committed and 91% matched to third party capital, generating a forecast yield on cost of 8.3%
- + \$2.2 billion of new committed third party equity raised, endorsing Goodman's contemporary fund management and independent governance structures
- + \$4.5 billion of uncalled equity and debt available for managed funds to participate in development opportunities from the Group and broader market opportunities

Goodman Group

Goodman Limited | ABN 69 000 123 071

Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621

as responsible entity of Goodman Industrial Trust | ARSN 091213 839

Level 17, 60 Castlereagh Street, Sydney NSW 2000 | GPO Box 4703, Sydney NSW 2001 Australia

Tel +61 2 9230 7400 | Fax +61 2 9230 7444

Goodman Logistics (HK) Limited 嘉民物流(香港)有限公司 | Company No. 1700359 | ARBN 155 911 149 | a Hong Kong company with limited liability

Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong | Tel +852 2249 3100 | Fax +852 2525 2070

info-au@goodman.com | www.goodman.com

Goodman's Group Chief Executive Officer, Mr Greg Goodman said, "We are pleased to deliver a strong full year operating profit of \$601 million, which represents an increase of 10% on the same period last year and is in line with the increased earnings guidance announced by the Group in June. This equates to 7% growth in operating earnings per security and highlights the robust performance across all parts of our business, together with the significant advantage we derive from successfully exporting our sector specialist expertise and proven capability around the world."

The full year statutory profit of \$657 million is after property revaluations, derivative and foreign currency mark to market and other non-cash or non-recurring items.

As an Australian-listed, leading industrial property operator and fund manager with active businesses in 16 countries, Goodman's full year result reflects the quality and diversity of our earnings and the momentum across our operating platform. Importantly, we are leveraging our entrepreneurial expertise to create value and drive the long-term growth of our business, while maintaining prudent balance sheet metrics. Accordingly, Goodman is well positioned for FY15 and we are forecasting full year operating earnings per security of 36.9 cents, up 6% on the upwardly revised FY14 result." Mr Goodman added.

Goodman has a distinct competitive advantage in the current operating environment, which continues to be shaped by the significant customer and investor demand for prime industrial assets and a number of structural changes that are redefining the industrial property sector. The Group is benefitting from the global reach of its diversified international operating platform, which has contributed 56% of FY14 operating earnings and enables Goodman to meet the varied needs of its customers and selectively secure high quality investment opportunities for its capital partners. This has seen Goodman's development workbook increase to \$2.6 billion, reflecting the strong underlying momentum experienced across Goodman's development activities, with active projects underway in all regions.

In FY14, Goodman disposed of \$1.5 billion of assets across the Group and managed funds, predominantly in the UK and Australia, capitalising on the significant capital flows and strengthening asset pricing globally. This provided attractive conditions to selectively rotate assets, including urban renewal opportunities, in line with Goodman's strategy to enhance the return on assets by recycling capital into new developments and opportunistic property investments. Such investments include Sydney Corporate Park, acquired for \$343 million in the prime industrial precinct of South Sydney. The acquisition represents a landmark transaction and is a strategic site with a strong, diverse and sustainable cash flow, with active asset management opportunities.

The Group continues to realise higher and better use opportunities and is making good progress on its urban renewal strategy in Australia, with over 35,000 residential lots identified at different stages of planning. While urban renewal is an adjunct to Goodman's core business, the incremental long-term value that may be generated from this activity has the potential to be significant.

Goodman is focused on delivering consistent and sustainable growth, while maintaining its strong balance sheet position. In FY14, \$2.2 billion of new third party equity was raised from capital partners to help fund long-term growth. As a result, the Group's gearing has been maintained at 19.5%, with available liquidity of \$1.5 billion.

"The strong demand for Goodman's product reflects the focus of global investor groups to partner with a best in class industrial property sector specialist, with the proven development

capability and the right infrastructure and people in place to deliver quality, stable and well performing industrial assets.

The capital inflows experienced over the last 12 months position us well to continue funding our development activities and provide significant capacity for our managed funds to participate in development opportunities from the Group and broader market. Total assets under management have increased to \$26.8 billion over FY14, predominantly from organic growth achieved through the completion of \$2.3 billion of developments, of which 93% were undertaken on behalf of our managed funds, in line with the Group's prudent development approach." Mr Goodman said.

Strategy

Goodman is committed to building on its position as an Australian listed, leading global industrial property group and fund manager through the prudent yet active execution of its stated business strategy. The Group will leverage its proven expertise and capability, diversified global operating platform, and quality customer and capital partner relationships, to pursue opportunities and realise initiatives to drive the long-term growth of its business in a measured and sustainable manner.

Goodman's customer focused approach ensures that its quality portfolio is managed and maintained to a high standard, and is reflected in the high occupancy and retention rates achieved. Its active asset management capability ensures that opportunities to reposition assets are continually assessed, with Goodman seeking to generate additional value by identifying higher and better use opportunities for its assets, including the trend to urbanisation and property renewal in its key markets.

Operations

The Group's operations achieved an operating EBIT of \$662 million⁴, or a 9% increase compared with the same period last year and reflects the organic growth and increased scale from Goodman's existing markets. The development and management businesses continued to perform strongly, consistent with the high customer demand for prime industrial space across all of Goodman's operating markets, contributing a combined 46% of operating EBIT. This also reflected the earnings composition, which was in line with the Group's expectations. Investments contributed 54% of operating EBIT, with 30% from developments and 16% from management services.

Investments

Underlying property fundamentals were sound over the full year period. Overall occupancy was maintained at 96%, consistent with the same period last year and the weighted average lease expiry across the investment portfolio was 4.9 years.

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

Mr Goodman commented, "We experienced solid underlying property fundamentals over the year to 30 June, reflecting the quality of our industrial and business space portfolio, and the dedication and focus of our Property Services teams who are committed to delivering the highest standards of service to Goodman's global customer base. As a result, we leased 3 million sqm

of industrial and business space, maintained high occupancy and retention levels and achieved like-for-like net property income growth of 2.2%.”

Developments

The Group’s work in progress as at 30 June 2014 was \$2.6 billion, generating a forecast yield on cost of 8.3% and equating to 2.2 million sqm of new space across 76 projects in 11 countries, with Goodman continuing to be one of the largest industrial real estate developers globally.

Growth in development volume is a reflection of our development led investment strategy at this point in the cycle where competition for grade A assets is strong.

Development demand remains strong, particularly in Asia, where we are selectively pursuing high quality development opportunities to take advantage of the robust market conditions and undersupply of well located, prime logistics space. In Europe, Australia and New Zealand, volumes remain stable, with customer demand continuing to drive predominantly pre-committed development activity. The Americas now contribute 9% to the Group’s current development book, which will increase as further Brazilian projects commence this calendar year, together with the rollout of the \$1.7 billion development pipeline in the US.

Developments without customer pre-commitments were undertaken in selected markets that exhibit low vacancy levels, are proven quality logistics locations and where the demand for assets remains high. Goodman’s confidence in these markets has been supported by the 96% pre-commitment levels on projects completed during the year.

“Our development business is performing very well driven by the high level of customer and investor demand for Goodman’s product and we are well positioned to pursue the best quality opportunities being generated by the undersupply of prime quality industrial space and capitalise on the structural changes taking place across our sector globally.

“In this context, we allocated additional capital to a number of our operating markets where Goodman is executing a development led strategy, including Japan, China, North America and Brazil. This is reflected in the growth of our development workbook to \$2.6 billion and together with the robust activity being experienced in our other key markets, will help grow our development book in future periods.” Mr Goodman said.

Management

Third party assets under management increased to \$22.4 billion over the full year, which is a 15% increase compared with 30 June 2013. Management earnings have contributed 16% of operating EBIT, with the increase in earnings driven by growth in assets under management, largely through development completions and a number of fund initiatives undertaken during the year.

The broad range of fund initiatives completed by Goodman in FY14 reflects the continued demand by global investor groups for core, stable, and well performing assets, together with their focus on partnering with specialist industrial property providers, including those with the capability to create new product. A key driver of Goodman’s success is its ability to attract third party capital into its managed fund platform, combined with the alignment of investors’ interests through the contemporary fund management structures which underpin its partnering approach.

“The significant capital inflows achieved across our managed fund platform during the year is testament to the extensive partnerships we continue to build with global investor groups and the quality of Goodman’s investment offering. Our managed funds achieved in excess of a 12% total return on average in FY14, highlighting the disciplined execution of their investment strategies and focus on long-term value creation for our global investors.” Mr Goodman said.

As investment markets strengthen, Goodman will continue to assess opportunities to dispose of assets where value has been maximised and look to reinvest through its development pipeline and specific on-market opportunities.

“Goodman’s managed funds have significant momentum and investment capacity heading into FY15, provided by \$4.5 billion of uncalled equity and debt available and proceeds from ongoing asset rotation initiatives to participate in a broad range of growth opportunities in the year ahead.” Mr Goodman added.

Capital Management

Goodman maintained its sound financial position during FY14, which was actively demonstrated with the successful completion of balance sheet recycling opportunities and its selective approach to pre-sold developments. As a result, gearing was retained at a conservative 19.5%. 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 5.4 years, with debt maturities fully covered to the end of the 2018 calendar year.

Goodman has continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets. During the full year, \$5.1 billion of debt facilities with an average term of 4.0 years were procured across the Group and managed funds. In addition to this, Goodman’s managed funds secured \$0.8 billion through debt capital markets, with an average expiry of 10.5 years. Separately, Standard & Poor’s revised the Group long-term corporate BBB credit rating outlook to ‘positive’ from ‘stable’, together with an upgrade to Goodman European Logistics Fund’s credit rating to BBB and Goodman Hong Kong Logistics Fund securing a BBB+ long-term corporate credit rating.

Furthermore, the Group’s Distribution Reinvestment Plan was active over the full year period, raising a total of \$87 million from the 31 December 2013 and 30 June 2014 distributions.

Outlook

Goodman is well positioned to grow operating earnings in FY15 by leveraging its expertise and capability as an entrepreneurial industrial property group.

The ongoing investor demand for high quality industrial assets is driving significant capital flows and strengthening asset pricing globally. This will enable the Group to selectively rotate assets, including for urban renewal opportunities, and recycle capital into new developments to enhance investor returns and drive long-term value for the Group.

Goodman's development capability and managed fund platform is attractive to capital partners, providing access to new investment product not available to investors on-market. This delivered strong total fund returns in FY14, and with \$4.5 billion in uncalled capital available to participate in a range of opportunities, Goodman's managed funds are expected to perform strongly in FY15.

Accordingly, Goodman is forecasting full year operating earnings per security of 36.9 cents, up 6% on FY14 and a forecast distribution of 22.2 cents, up 7% on FY14.

- Ends -

For further information, please contact;
Greg Goodman
Group Chief Executive Officer
Tel: + 612 9230 7400

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 5 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 1,729.0 million, including 8.0 million LTIP securities which have achieved the required performance hurdles and will vest equally in September 2014 and September 2015.

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 \$46.3 million – refer to Note 8 of the Financial Statements.

⁴ Operating EBIT comprises statutory profit before interest and tax of \$786.0 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.

APPENDIX 4E
GOODMAN GROUP
(comprising Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited)
RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2014

The Appendix 4E should be read in conjunction with the Directors' report and Consolidated financial statements of Goodman Limited for the year ended 30 June 2014. The information included in the Appendix 4E and the Consolidated financial report for the year ended 30 June 2014 comprises all the information required by ASX Listing Rule 4.3A. The Appendix 4E is based on the Consolidated financial statements which have been audited by KPMG.

Highlights of results				
	30 Jun 2014	30 Jun 2013	Change	
Revenue and other income (\$M)	1,679.0	1,144.9	up	46.7%
Operating profit (before specific non-cash and other significant items) attributable to Securityholders (\$M)	601.1	544.1	up	10.5%
Profit (statutory) attributable to Securityholders (\$M)	657.3	161.0	up	308.3%
Total comprehensive income (statutory) (\$M)	797.4	460.2	up	73.3%
Diluted operating profit per security (cents)	34.8	32.4	up	7.2%
Dividends and distributions				
Interim dividends and distributions per GMG security (cents)	10.35	9.70	up	6.7%
Final dividends and distributions proposed per GMG security (cents)	10.35	9.70	up	6.7%
	20.70	19.40	up	6.7%
Interim dividends and distributions paid (\$M)	177.9	166.2	up	7.0%
Final dividends and distributions proposed (\$M)	178.8	166.2	up	7.6%
	356.7	332.4	up	7.3%
Franked amount per security/share (cents)	-	5.2	down	(100.0%)
Conduit foreign income	-	-	-	-
Record date for determining entitlements to the distributions	30 Jun 2014	28 Jun 2013		
Date interim dividends and distributions were paid	21 Feb 2014	28 Feb 2013		
Date final dividends and distributions are payable	26 Aug 2014	26 Aug 2013		
Distribution reinvestment plan				
Goodman Group's Distribution Reinvestment Plan (DRP) will operate in respect of the final 2014 distributions. The last date for receipt of an election notice to participate in the DRP was 1 July 2014.				
Total assets (\$M)	9,403.9	8,890.7	up	5.8%
Total liabilities (\$M)	3,173.5	3,055.0	up	3.9%
Net assets (\$M)	6,230.4	5,835.7	up	6.8%
Net tangible assets per security/share (cents)	287.78	269.25	up	6.9%
Total borrowings to equity ratio (%)	34.7	38.6	down	(10.1%)
Contributed equity (\$M)	7,846.9	7,804.8	up	0.5%
Security price (\$)	5.05	4.88	up	3.5%
Number of securities on issue (M)	1,727.7	1,713.2	up	0.8%
Market capitalisation (\$M)	8,724.8	8,360.6	up	4.4%
Number of Securityholders	16,994	16,933	up	0.4%

Controlled entities acquired or disposed

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

Associates and joint venture entities

Goodman's Group's associates are set out in note 9 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%)
- GGGAIF Huntingwood East (50%)
- GGGAIF Bungarribee No.5 (50%)
- GGGAIF Bungarribee No.6 (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%)
- Goodman North America Partnership (55%)
- WT Goodman IBP Participacoes S.A (50%)
- WT Goodman ITUPEVA Participacoes S.A (50%)

Goodman Limited
ABN 69 000 123 071
and its Controlled Entities
Consolidated financial report for the year ended 30 June 2014

Contents	Page
Directors' report	2
Lead auditor's independence declaration	36
Consolidated statement of financial position	37
Consolidated income statement	38
Consolidated statement of comprehensive income	39
Consolidated statement of changes in equity	40
Consolidated cash flow statement	41
Notes to the consolidated financial statements	
1 Statement of significant accounting policies	42
2 Critical accounting estimates used in the preparation of the consolidated financial statements	55
3 Profit per Company share/per security	55
4 Segment reporting	56
5 Profit before income tax	59
6 Income tax expense	61
7 Dividends and distributions	63
8 Receivables	65
9 Property assets	67
10 Other assets	75
11 Other financial assets	75
12 Plant and equipment	75
13 Intangible assets	76
14 Payables	82
15 Interest bearing liabilities	83
16 Employee benefits	85
17 Provisions	89
18 Issued capital	90
19 Reserves	91
20 (Accumulated losses)/retained earnings	92
21 Other non-controlling interests	92
22 Commitments	93
23 Notes to the cash flow statement	94
24 Controlled entities	95
25 Related parties	96
26 Financial risk management	98
27 Auditors' remuneration	106
28 Parent Entity disclosures	107
29 Events subsequent to balance date	107
Directors' declaration	108
Independent auditor's report	109

Goodman Limited and its Controlled Entities
Directors' report

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

Directors

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

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

Details of the Directors' qualifications and experience are set out on pages 32 to 34 in this Directors' report.

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 34 in this Directors' report.

Goodman Limited and its Controlled Entities
Directors' report

Directors' meetings

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

Directors	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held¹	Attended	Held¹	Attended	Held¹	Attended	Held¹	Attended
Mr Ian Ferrier	8	8	4	4	3	3	-	-
Mr Gregory Goodman	8	8	-	-	-	-	-	-
Mr Philip Fan	8	7	4	4	-	-	4	4
Mr John Harkness	8	8	4	4	-	-	4	4
Ms Anne Keating	8	8	-	-	3	3	4	4
Ms Rebecca McGrath	8	8	-	-	3	3	4	4
Mr Philip Pearce	8	8	-	-	-	-	-	-
Mr Danny Peeters	8	8	-	-	-	-	-	-
Mr Phillip Pryke	8	7	4	4	3	3	-	-
Mr Anthony Rozic	8	7	-	-	-	-	-	-
Mr Jim Sloman	8	8	-	-	3	3	4	4

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

Goodman Limited and its Controlled Entities
Directors' report

Principal activities

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

Operating and financial review

Overview of statutory results

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

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

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

Goodman Limited and its Controlled Entities
Directors' report

Operating and financial review (cont)

Operational performance

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

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

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

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

Goodman Limited and its Controlled Entities
Directors' report

Operating and financial review (cont)

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

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

1. Net finance expense excludes derivative mark to market and unrealised foreign exchange movements.
2. Income tax expense excludes the deferred tax movements relating to investment property valuations.
3. Operating profit per security (operating EPS) is the operating profit divided by the weighted average number of securities on issue during the year, including securities relating to performance rights that have not yet vested but where the performance hurdles have been achieved.
4. Interest cover is operating profit before net finance expense and income tax (EBIT) divided by net finance expense.

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

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

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

Review of the operational performance

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

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

Goodman Limited and its Controlled Entities Directors' report

Operating and financial review (cont)

Review of the operational performance (cont)

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

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

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

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

The results for the financial year highlight:

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

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

Investments

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

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

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

Goodman Limited and its Controlled Entities Directors' report

Operating and financial review (cont)

Development

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

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

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

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

Management

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

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

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

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

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

Goodman Limited and its Controlled Entities Directors' report

Operating and financial review (cont)

Capital management

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

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

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

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

Strategy and outlook

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

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

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

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

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

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

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

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

Goodman Limited and its Controlled Entities
Directors' report

Dividends and distributions

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

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

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

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

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

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

Directors' interests

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Performance rights granted to the Directors during the financial year

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

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

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

Securities issued on exercise of performance rights

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

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

Unissued securities under performance rights

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

Expiry date	Exercise price \$	Number of performance rights¹	Performance hurdles²
Sep 18	-	12,562,467	Relative TSR (25%) and operating EPS (75%)
Sep 17	-	11,658,981	Relative TSR (25%) and operating EPS (75%)
Sep 16	-	10,395,704	Relative TSR (25%) and operating EPS (75%)
Sep 15	-	5,259,642	Relative TSR (25%) and operating EPS (75%)
Sep 14	-	2,775,989	Relative TSR (50%) and operating EPS (50%)

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

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

Goodman Limited and its Controlled Entities Directors' report

Remuneration report – audited

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

The report is set out as follows:

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

1. Remuneration policy for executives

Executive Director and other senior executive remuneration

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

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

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

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

1. Remuneration policy for executives (cont)

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

(a) Fixed remuneration

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

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

(b) Short-term incentive

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

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

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

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

(c) Long-term incentive

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

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

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

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

Remuneration report – audited (cont)

1. Remuneration policy for executives (cont)

(c) Long-term incentive (cont)

The conditional nature of the award – performance hurdles

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

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

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

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

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

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

Deferral and long-term decision making

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

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

No hedging of unvested LTI

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

1. Remuneration policy for executives (cont)

(c) Long-term incentive (cont)

Forfeiture of LTI

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

2. Remuneration policy for Non-Executive Directors

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

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

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

3. Remuneration and Nomination Committee

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

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

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

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

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

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

The Committee members' meeting attendance record is disclosed on page 3 in this Directors' report.

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

Goodman Limited and its Controlled Entities
Directors' report

Remuneration report – audited (cont)

4. Remuneration policies and financial performance

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

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

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

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

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

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

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

Impact on fixed remuneration

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

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

Impact on STI

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

4. Remuneration policies and financial performance (cont)

Impact on LTI

LTIP grants for the 2010 and 2011 financial years

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

LTIP grants for the 2012, 2013 and 2014 financial years

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

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

2012 LTIP grant

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

2013 and 2014 LTIP grants

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

5. Discussion of 2014 remuneration outcomes

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

Reporting of remuneration for key management personnel in accordance with accounting standards is set out in the tables on page 21 for Non-Executive and Executive Directors and on page 23 for other senior executives.

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

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

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

Operational achievements

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

Fund management achievements

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

Capital management achievements

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

As a result of meeting of key financial targets for the Consolidated Entity and other key performance indicators (including the achievements set out above), STI payments were awarded as disclosed in the tables on pages 21 and 23.

Remuneration report – audited (cont)

5. Discussion of 2014 remuneration outcomes (cont)

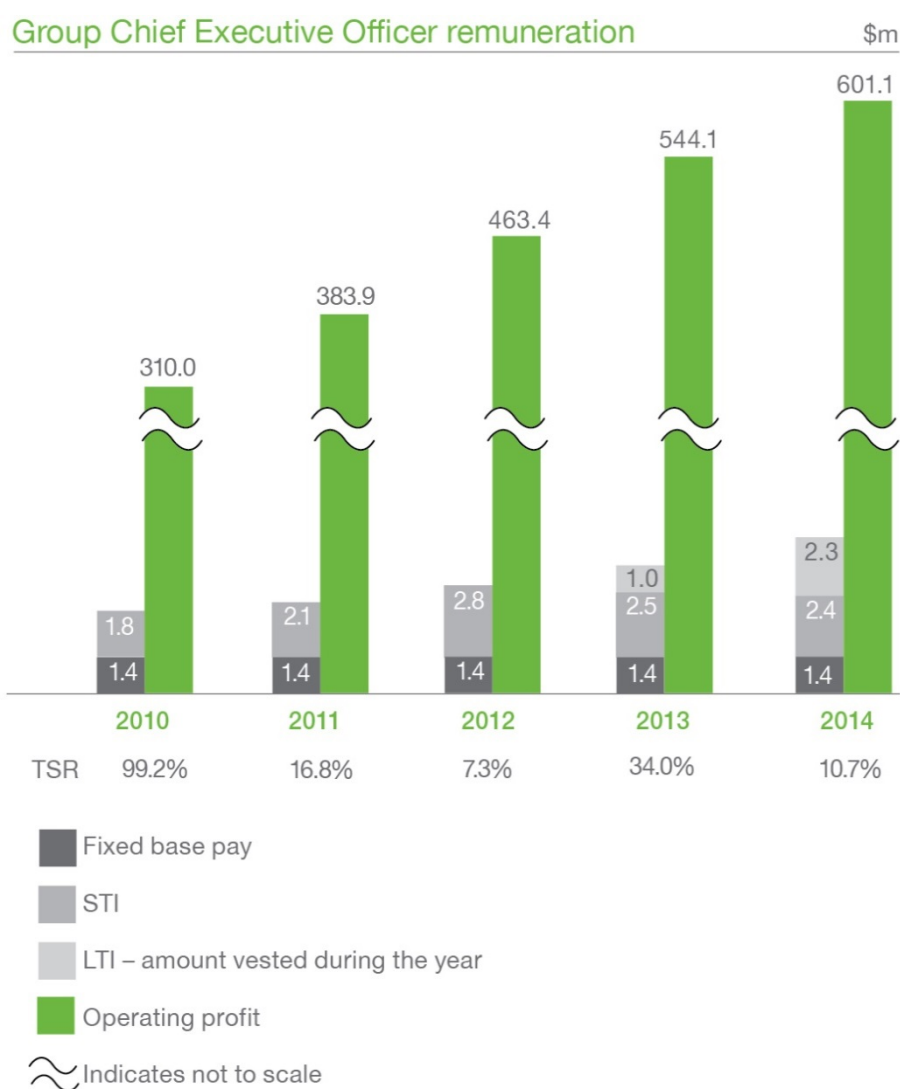
In addition, during the year ended 30 June 2014, executives received an LTI award in September 2013 (or shortly thereafter where it was subject to Securityholder approval) in recognition of their performance in the financial year ended 30 June 2013 and as long-term remuneration aligned with future performance.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

The Board also intends to make an award of LTI with regard to the executives' performance in the 2014 financial year and as long-term remuneration for future performance. This is not reflected in the current year remuneration (as it was not awarded prior to 30 June 2014). Further information about these intended awards is set out on page 27.

Group Chief Executive Officer effective remuneration

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

The table below illustrates the correlation between the components of the Group Chief Executive Officer's remuneration, operating profit (refer to page 5 for the reconciliation between operating profit and statutory profit for the current and prior financial years) and TSR over the last five financial years:



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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

5. Discussion of 2014 remuneration outcomes (cont)

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

Base pay

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

Performance based remuneration

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

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

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

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

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

Non-Executive Directors

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

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

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

Goodman Limited and its Controlled Entities
Directors' report

Remuneration report – audited (cont)

6. Directors' remuneration

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

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

Refer to the following page for explanatory footnotes.

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

6. Directors' remuneration (cont)

Notes in relation to the table of Directors' remuneration

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

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

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

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

Goodman Limited and its Controlled Entities
Directors' report

Remuneration report – audited (cont)

7. Other senior executives' remuneration

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

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

Refer to the following page for explanatory footnotes.

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

7. Other senior executives' remuneration (cont)

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

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

8. Other prescribed information

Service agreements

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

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

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

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

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

Analysis of bonuses included in the remuneration

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

Share based payments included as remuneration

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

Performance rights over Goodman stapled securities

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

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

1. Fair value determined at the grant date.

Performance rights will expire on termination of the individual's employment (subject to special circumstances) and vesting is conditional on Goodman achieving certain performance hurdles (refer to page 14). For performance rights granted during the current financial year, the earliest vesting date is September 2016.

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

8. Other prescribed information (cont)

Exercise of performance rights over Goodman stapled securities

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

Analysis of performance rights over Goodman stapled securities

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

	Number of performance rights granted	Date performance rights granted	%vested in prior years	%vested in the year	%forfeited	Financial years in which grant vests
Executive Directors						
Mr Gregory Goodman	947,368	22 Nov 13	-	-	-	2017 – 2019
	927,152	16 Nov 12	-	-	-	2016 – 2018
	980,000	25 Nov 11	-	-	-	2015 – 2017
	730,770	1 Feb 11	-	33.3	-	2014 – 2016
	780,000	14 May 10	33.3	33.3	-	2013 – 2015
Mr Philip Pearce	394,737	22 Nov 13	-	-	-	2017 – 2019
	298,013	16 Nov 12	-	-	-	2016 – 2018
	200,000	30 Sep 11	-	-	-	2015 – 2017
	153,847	1 Feb 11	-	33.3	-	2014 – 2016
	229,167	14 May 10	33.3	33.3	-	2013 – 2015
Mr Danny Peeters	421,053	22 Nov 13	-	-	-	2017 – 2019
	463,576	12 Oct 12	-	-	-	2016 – 2018
	520,000	30 Sep 11	-	-	-	2015 – 2017
	480,000	1 Feb 11	-	33.3	-	2014 – 2016
	554,436	14 May 10	33.3	33.3	-	2013 – 2015
Mr Anthony Rozic	421,053	22 Nov 13	-	-	-	2017 – 2019
	463,576	12 Oct 12	-	-	-	2016 – 2018
	520,000	30 Sep 11	-	-	-	2015 – 2017
	480,000	1 Feb 11	-	33.3	-	2014 – 2016
	520,834	14 May 10	33.3	33.3	-	2013 – 2015
Other senior executives						
Mr Nick Kurtis	421,053	27 Sep 13	-	-	-	2017 – 2019
	463,576	12 Oct 12	-	-	-	2016 – 2018
	520,000	30 Sep 11	-	-	-	2015 – 2017
	480,000	1 Feb 11	-	33.3	-	2014 – 2016
	520,834	14 May 10	33.3	33.3	-	2013 – 2015
Mr Nick Vrontas	368,421	27 Sep 13	-	-	-	2017 – 2019
	397,351	12 Oct 12	-	-	-	2016 – 2018
	360,000	30 Sep 11	-	-	-	2015 – 2017
	293,700	1 Feb 11	-	33.3	-	2014 – 2016
	416,667	14 May 10	33.3	33.3	-	2013 – 2015
Mr Jason Little	315,789	27 Sep 13	-	-	-	2017 – 2019
	231,788	12 Oct 12	-	-	-	2016 – 2018
	200,000	30 Sep 11	-	-	-	2015 – 2017
	200,000	1 Feb 11	-	33.3	-	2014 – 2016
	193,750	14 May 10	33.3	33.3	-	2013 – 2015

Modification of terms of equity settled share based payment transactions

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

8. Other prescribed information (cont)

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

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

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

1. The value of performance rights granted under the LTIP is the fair value calculated at grant date being 22 November 2013 for the Executive Directors and 27 September 2013 for the other executives. The fair value is calculated using a combination of the standard Black Scholes model with a continuous dividend/distribution yield and a Monte Carlo model which simulated total returns for each of the S&P/ASX 100 entities, and discounted the future value of any potential future vesting performance rights to arrive at a present value.
2. The value of performance rights vested is calculated using the closing price on the ASX of \$4.60 on 2 September 2013, the day the performance rights vested.

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

8. Other prescribed information (cont)

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

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

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

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

8. Other prescribed information (cont)

Movement in Goodman stapled securities

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Remuneration report – audited (cont)

8. Other prescribed information (cont)

Movement in hybrid securities issued by Goodman PLUS Trust

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

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

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

Transactions with executives and their related entities

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

Goodman Limited and its Controlled Entities
Directors' report

Environmental regulations

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

Indemnification and insurance of officers and auditors

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

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

Non-audit services

During the financial year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties. The Board has considered the non-audit services provided during the financial year to the Company and its controlled entities by the auditor and, in accordance with written advice authorised by a resolution of the Audit Committee, resolved that it is satisfied that the provision of those non-audit services during the financial year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

**Goodman Limited and its Controlled Entities
Directors' report**

Qualifications, experience and special responsibilities of Directors and Company Secretary

Board of Directors

Mr Ian Ferrier, AM – Independent Chairman

Member of the Audit Committee and Remuneration and Nomination Committee

Appointed 1 September 2003; Tenure 10 years, 10 months

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of The Institute of Chartered Accountants in Australia and has in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of Australian Vintage Ltd (director since November 1991) and a director of EnergyOne Limited (since January 2007) and Reckon Limited (since August 2004). He was formerly the Chairman of InvoCare Limited (from March 2001 to October 2013).

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

Mr Gregory Goodman – Group Chief Executive Officer

Appointed 7 August 1998; Tenure 15 years, 10 months

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

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

Mr Philip Fan – Independent Director

Member of the Audit Committee and Risk and Compliance Committee

Appointed 1 December 2011; Tenure 2 years, 7 months

Philip was formerly an executive director and is now an independent non-executive director of Hong Kong Stock Exchange listed China Everbright International Ltd, a company which focuses on the business of environmental protection and develops and manages numerous waste-to-energy and waste water treatments plants in China. Earlier in his career, he was an executive director of CITIC Pacific Ltd in charge of industrial projects in China. He is currently an independent non-executive director of the Hong Kong Stock Exchange listed Hysan Development Co Ltd, China Aircraft Leasing Group Holdings Limited, HKC Holdings Limited and First Pacific Company Limited. He is also a member of the Asian Advisory Committee of AustralianSuper.

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

Mr John Harkness – Independent Director

Chairman of the Audit Committee and Risk and Compliance Committee

Appointed 23 February 2005; Tenure 9 years, 4 months

John is a Fellow of The Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since leaving KPMG in June 2000, John has held a number of non-executive director roles. He is currently Chairman of Charter Hall Retail Management Limited (director since August 2003), the management company of Charter Hall Retail REIT. He is also Chairman of the Reliance Rail group (since 2011). He was formerly a director of Sinclair Knight Mertz Management Pty Limited (from 2010 to December 2013). John is Vice President of Northern Suburbs Rugby Football Club Limited, a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army and the Chairman of the National Foundation for Medical Research and Innovation.

**Goodman Limited and its Controlled Entities
Directors' report**

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

Board of Directors (cont)

Ms Anne Keating – Independent Director

Member of the Remuneration and Nomination Committee and Risk and Compliance Committee

Appointed 23 February 2005; Tenure 9 years, 4 months

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

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

Ms Rebecca McGrath – Independent Director

Member of the Remuneration and Nomination Committee and Risk and Compliance Committee

Appointed 3 April 2012; Tenure 2 years, 2 months

Rebecca is currently a non-executive director of CSR Limited (since February 2012), Incitec Pivot Limited (since September 2011) and OZ Minerals Limited (since November 2010). During her executive career at BP plc, she held numerous senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the UK and Europe. Her most recent executive experience was as Chief Financial Officer of BP Australasia.

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

Mr Philip Pearce - Managing Director, Greater China

Appointed 1 January 2013; Tenure 1 year, 6 months

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

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

Mr Danny Peeters - Executive Director, Corporate

Appointed 1 January 2013; Tenure 1 year, 6 months

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

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

Mr Phillip Pryke – Independent Director

Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee

Appointed 13 October 2010; Tenure 3 years, 8 months

Phillip is a director of Co-Investor Group and Tru-Test Corporation Limited and the Deputy Chairman and Lead Independent Director of New Zealand Exchange listed Contact Energy Limited. He is also a director of Goodman (NZ) Limited, the manager of the New Zealand Exchange listed Goodman Property Trust. He was formerly the Chairman of ASX listed Digital Performance Group Ltd (from January 2009 to August 2012).

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

**Goodman Limited and its Controlled Entities
Directors' report**

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

Board of Directors (cont)

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

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

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

**Mr Jim Sloman, OAM – Independent Director
Member of the Remuneration and Nomination Committee and Risk and Compliance Committee
Appointed 1 February 2006; Tenure 8 years, 5 months**

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

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

Company Secretary

**Mr Carl Bicego – Company Secretary
Appointed 24 October 2006**

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

Events subsequent to balance date

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

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2014 have been properly maintained and the financial report for the year ended 30 June 2014 complies with accounting standards and presents a true and fair view of the Consolidated Entity's financial condition and operational results. This statement is required annually.

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

The lead auditor's independence declaration is set out on page 36 and forms part of this Directors' report for the financial year.

Goodman Limited and its Controlled Entities
Directors' report

Rounding

Goodman is an entity of a kind referred to in Australian Securities & Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Ian Ferrier, AM
Independent Chairman

Sydney, 14 August 2014

A stylized, handwritten signature in blue ink, featuring a large 'G' and a long horizontal stroke.

Gregory Goodman
Group Chief Executive Officer

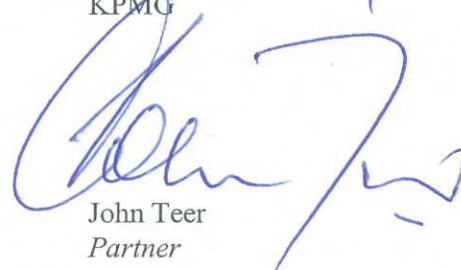


Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Goodman Limited

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

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


KPMG

John Teer
Partner

Sydney

14 August 2014

Goodman Limited and its Controlled Entities
Consolidated statement of financial position
as at 30 June 2014

	Consolidated		
		30 Jun 2014	30 Jun 2013
	Note	\$M	\$M
Current assets			
Cash	23(a)	359.9	645.4
Receivables	8	354.8	338.7
Inventories	9(b)	121.1	156.8
Current tax receivables	6(c)	9.1	3.0
Other assets	10	15.1	33.4
Total current assets		860.0	1,177.3
Non-current assets			
Receivables	8	169.4	309.3
Inventories	9(b)	1,009.0	792.7
Other assets	10	0.4	21.1
Investment properties	9(b)	2,532.9	2,405.9
Investments accounted for using the equity method	9(b)	3,855.6	3,243.1
Deferred tax assets	6(d)	11.6	13.4
Other financial assets	11	13.1	15.7
Plant and equipment	12	19.2	20.8
Intangible assets	13	932.7	891.4
Total non-current assets		8,543.9	7,713.4
Total assets		9,403.9	8,890.7
Current liabilities			
Payables	14	266.2	271.0
Current tax payables	6(c)	48.4	39.0
Employee benefits	16	60.8	52.9
Provisions	17	182.7	81.2
Total current liabilities		558.1	444.1
Non-current liabilities			
Payables	14	412.3	314.4
Interest bearing liabilities	15	2,160.5	2,249.8
Deferred tax liabilities	6(d)	4.0	6.5
Employee benefits	16	29.3	28.7
Provisions	17	9.3	11.5
Total non-current liabilities		2,615.4	2,610.9
Total liabilities		3,173.5	3,055.0
Net assets		6,230.4	5,835.7
Equity attributable to Goodman Limited (GL)			
Issued capital	18	461.2	457.0
Reserves	19	(279.8)	(249.0)
Retained earnings	20	14.9	9.3
Total equity attributable to GL		196.3	217.3
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	18	6,774.1	6,741.7
Reserves	19	(1,133.5)	(1,468.6)
Accumulated losses	20	(720.9)	(679.8)
Total equity attributable to GIT		4,919.7	4,593.3
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	18	611.6	606.1
Reserves	19	82.8	63.1
Retained earnings	20	94.2	24.4
Total equity attributable to GLHK		788.6	693.6
Total equity attributable to Securityholders		5,904.6	5,504.2
Other non-controlling interests	21	325.8	331.5
Total equity		6,230.4	5,835.7

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

Goodman Limited and its Controlled Entities
Consolidated income statement
for the year ended 30 June 2014

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

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

Goodman Limited and its Controlled Entities
Consolidated statement of comprehensive income
for the year ended 30 June 2014

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

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

Goodman Limited and its Controlled Entities
Consolidated statement of changes in equity
for the year ended 30 June 2014

Year ended 30 June 2013

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

Year ended 30 June 2014

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

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

Goodman Limited and its Controlled Entities
Consolidated cash flow statement
for the year ended 30 June 2014

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

1 Statement of significant accounting policies

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

Statement of compliance

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

The consolidated financial report is presented in Australian dollars and was authorised for issue by the Directors on 14 August 2014.

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

(a) Basis of preparation of the consolidated financial report

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

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

(b) Principles of consolidation

Accounting for the acquisition of control of Goodman Industrial Trust

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

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

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

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

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

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

1 Statement of significant accounting policies (cont)

(b) Principles of consolidation (cont)

Business combinations

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

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

Measuring goodwill

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

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

Contingent liabilities

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

Non-controlling interests

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

Transaction costs

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

Accounting for acquisitions of non-controlling interests

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

Controlled entities

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

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

Associates

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

Joint ventures

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

1 Statement of significant accounting policies (cont)

(b) Principles of consolidation (cont)

Transactions eliminated on consolidation

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

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

(c) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations.

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

Exchange rates used

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

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

Hedges of net investments in foreign operations

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

1 Statement of significant accounting policies (cont)

(d) Segment reporting

The Consolidated Entity reports the results and financial position of its operating segments based on the internal reports regularly reviewed by the Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

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

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

(e) Earnings per Company share/security

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

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

(f) Investment properties and gross property income

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

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial report. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below. Taxation allowances for building, plant and equipment depreciation are claimed by trusts within the Consolidated Entity and are declared as tax deferred components of distributions.

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

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

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

Stabilised investment properties

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

1 Statement of significant accounting policies (cont)

(f) Investment properties and gross property income (cont)

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

Gross property income

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

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

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

Investment properties under development

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

Deposits for investment properties

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

Disposal of investment properties

The disposal of an investment property is recognised when the significant risks and rewards of ownership have been transferred. The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the property at the time of the disposal and the proceeds on disposal (less transaction costs and any provision for future rental guarantees) and is included in the income statement in the period of disposal. Any previously unrealised valuation gains or losses are transferred from the asset revaluation reserve to accumulated losses/retained earnings.

(g) Management income

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

(h) Development activities

Development income

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

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

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

1 Statement of significant accounting policies (cont)

(h) Development activities (cont)

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

Inventories

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

Work in progress in relation to land subdivision and development projects includes the costs of acquisition, planning, management and development and holding costs such as interest and taxes. Work in progress is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

Construction contract receivables

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

(i) Employee benefits

Wages, salaries and annual leave

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

Long-term service benefits

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

Defined contribution superannuation funds

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

Defined benefit superannuation funds

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

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

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

Share based payment transactions

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

1 Statement of significant accounting policies (cont)

(j) Finance income and expenses

Finance income

Interest is recognised on an accruals basis using the effective interest rate method, and, if not received at balance date, is reflected in the statement of financial position as a receivable.

Finance costs

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective yield basis over the life of the facility or until the facility is significantly modified. Where a facility is significantly modified, any unamortised expenditure in relation to that facility and incremental expenditure incurred in modifying the facility are recognised as a finance cost in the financial year in which the significant modification occurs.

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

(k) Dividends and distributions

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

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

(l) Intangible assets

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

Goodwill

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

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

Management rights

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

(m) Plant and equipment

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

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

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

1 Statement of significant accounting policies (cont)

(n) Leased assets

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

Finance leases

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

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

Operating lease payments

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

(o) Assets and liabilities classified as held for sale

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

(p) Impairment

Non-financial assets

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

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

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

Financial assets

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

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

Calculation of recoverable amount

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

1 Statement of significant accounting policies (cont)

(p) Impairment (cont)

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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

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

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

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

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

(q) Provisions

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

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

Dividends/distributions payable

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

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

Onerous contracts

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

Rental guarantees

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

1 Statement of significant accounting policies (cont)

(r) Taxation

Income tax

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

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

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

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

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

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

GIT

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

(s) Financial instruments

Non-derivative financial assets

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

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

1 Statement of significant accounting policies (cont)

(s) Financial instruments (cont)

Available for sale financial assets

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

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

Non-derivative financial liabilities

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

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

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

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

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

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

Issued capital

Ordinary shares

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

Hybrid securities

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

Derivative financial instruments and hedging

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

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

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

Cash flow hedges

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

1 Statement of significant accounting policies (cont)

(s) Financial instruments (cont)

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

(t) Parent Entity financial information

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

Investments in controlled entities, associates and JVs

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

Tax consolidation

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

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

Financial guarantees

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

(u) Changes in accounting policy

The AASB has issued new standards and amendments to standards that are first effective for the current accounting period of the Consolidated Entity. Of these, the following are relevant to the Consolidated Entity's financial statements:

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

AASB 10 Consolidated Financial Statements

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

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

1 Statement of significant accounting policies (cont)

(u) Changes in accounting policy (cont)

AASB 11 Joint Arrangements

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

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

AASB 12 Disclosure of Interests in Other Entities

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

AASB 13 Fair Value Measurement

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

AASB 119 Employee Benefits

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

AASB 136 Impairment of Assets

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

(v) Australian Accounting Standards issued but not yet effective

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

(w) Rounding

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

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

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

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

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

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

Measurement of fair values

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

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

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

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

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

3 Profit per Company share/per security

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

3 Profit per Company share/per security (cont)

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

Weighted average number of securities

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

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

(b) Dividends per Company share and distributions per security

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

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

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

4 Segment reporting

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

The activities and services undertaken by the divisions include:

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

Information regarding the operations of each reportable segment is included on the following page.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

5 Profit before income tax

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

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

Restructuring costs

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

5 Profit before income tax (cont)

Net finance expense

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

1. Includes foreign exchange gain of \$14.4 million (2013: loss of \$65.3 million) relating to unrealised gains/(losses) on translation of the United States senior notes (refer to note 15(c)) and the Japanese yen denominated private placement (refer to note 15(d)).
2. Includes both the fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted (refer to note 19(b)). The remaining balance included in the cash flow hedge reserve that relates to derivative contracts that were previously hedge accounted will be amortised over future periods.
3. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 3.1% and 7.6% per annum (2013: 3.0% and 8.4% per annum).

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

6 Income tax expense

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

6 Income tax expense (cont)

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

(d) Deferred tax assets and liabilities

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

7 Dividends and distributions

(a) Dividends declared by the Company

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

Dividend franking account

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

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

(b) Distributions declared and paid by GIT

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

Movement in provision for distributions to Securityholders

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

7 Dividends and distributions (cont)

(d) Distributions declared and paid by Goodman PLUS Trust

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

8 Receivables

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

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

The maximum exposure to credit risk at the balance date is the fair value of each class of receivable mentioned above. All non-current receivables of the Consolidated Entity are due within five years from the balance date. There is no material difference between the carrying values and the fair values of all current and non-current receivables.

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

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

Trade receivables

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

8 Receivables (cont)

Other receivables

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

Construction contract receivables

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

Amounts due from related parties

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

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

Loans to related parties

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets

(a) Types of property assets

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

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

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

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

(c) Estimates and assumptions in determining property carrying values

Inventories

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

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

9 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 investment properties is applied to both investment properties held directly and investment properties held in managed funds.

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

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets (cont)

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

Market assessment

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

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

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

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

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 5% to 15%.

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

(d) Inventories

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets (cont)

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

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 1(f) and 2).

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

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

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

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

Non-cancellable operating lease commitments receivable from investment property customers

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets (cont)

(f) Investments accounted for using the equity method

(i) Investments in associates

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets (cont)

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

(i) Investments in associates (cont)

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

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

- Distributions receivable relate to distributions provided for but not paid by the associate at 30 June 2014. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.
- Reflects the weighted average ownership interest in GJCF TMKs.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets (cont)

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

(ii) Investments in JVs

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

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

9 Property assets (cont)

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

(ii) Investments in JVs (cont)

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

10 Other assets

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

11 Other financial assets

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

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

12 Plant and equipment

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

13 Intangible assets

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

13 Intangible assets (cont)

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

13 Intangible assets (cont)

Impairment testing for intangible assets

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

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

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

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

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

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

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

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

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

Discount rates

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

13 Intangible assets (cont)

Impairment testing for intangible assets (cont)

Development activity and margins

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

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

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

Specific development assumptions included in the five year forecasts

(a) Logistics – Continental Europe

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

(b) Logistics - United Kingdom

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

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

(c) Business Parks - United Kingdom

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

Sources of funding for development activity

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

13 Intangible assets (cont)

Impairment testing for intangible assets (cont)

Assets under management

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

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

Specific AUM assumptions included in the five year forecasts

(a) Logistics – Continental Europe

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

(b) Logistics - United Kingdom

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

(c) Business Parks - United Kingdom

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

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

Performance fees

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

Operating expenses

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

13 Intangible assets (cont)

Impairment testing for intangible assets (cont)

Assumptions impacting the terminal year

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

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

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

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

Sensitivity analysis

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

13 Intangible assets (cont)

Impairment testing for intangible assets (cont)

Sensitivity analysis (cont)

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

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

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

14 Payables

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

15 Interest bearing liabilities

Interest bearing liabilities

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

(a) Bank loans, unsecured

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

1. At 30 June 2014, the facility limit was A\$53.1 million (US\$50.0 million) and the facility expires on 21 December 2015.
2. The facility was fully repaid and cancelled effective on 17 January 2014.
3. The facility was fully repaid and cancelled effective on 30 June 2014.
4. At 30 June 2014, the facility limit was A\$170.6 million (£94.0 million) and the facility expires on 31 July 2018.
5. At 30 June 2014, the facility limit was A\$157.8 million (NZ\$170.0 million) and the facility expires on 31 July 2018.
6. At 30 June 2014, the facility limit was A\$104.0 million and A\$46.4 million (NZ\$50.0 million) and the facilities expire on 31 August 2018.

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

15 Interest bearing liabilities (cont)

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$453.6 million (2013: A\$411.7 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes mature on 16 July 2018. The notes are listed on the Singapore Stock Exchange and the market value of the notes using the quoted price at 30 June 2014 was A\$566.2 million (2013: A\$524.9 million).

(c) United States senior notes, unsecured

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

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

(d) Foreign private placements, unsecured

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

- + A\$39.2 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$131.0 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon of 3.32% payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

16 Employee benefits

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

(a) Defined benefit pension schemes

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

Funding

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

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

Movement in net defined benefit liability

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

16 Employee benefits (cont)

(a) Defined benefit pension schemes (cont)

Amounts recognised in total comprehensive income

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

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

Fund assets

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

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

Defined benefit obligations

(i) Actuarial assumptions

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

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

(ii) Sensitivity analysis

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

16 Employee benefits (cont)

(b) Share based payments

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

Long Term Incentive Plan

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

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

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

Goodman Tax Exempt Plan

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

Goodman Property Services (NZ) Limited Long Term Incentive Plan

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

16 Employee benefits (cont)

(b) Share based payments (cont)

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

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

17 Provisions

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

Onerous contracts

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

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

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

Rental guarantees

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

18 Issued capital

	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	Number of securities		\$M	\$M
Stapled securities - issued and fully paid	1,727,685,976	1,713,233,947	8,007.3	7,965.1
Less: Accumulated issue costs			(160.4)	(160.3)
Total issued capital			7,846.9	7,804.8

Terms and conditions

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

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

Movement of ordinary securities

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

19 Reserves

	Note	Consolidated	
		30 Jun 2014	30 Jun 2013
		\$M	\$M
Asset revaluation reserve	19(a)	(1,105.7)	(1,225.0)
Cash flow hedge reserve	19(b)	(9.7)	(12.7)
Foreign currency translation reserve	19(c)	(257.1)	(450.8)
Employee compensation reserve	19(d)	64.3	52.4
Defined benefit funds actuarial losses reserve	19(e)	(22.3)	(18.4)
Total reserves¹		(1,330.5)	(1,654.5)

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

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

	GL		GIT		GLHK		Securityholders	
	2014	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 year	(206.5)	(296.7)	(1,008.0)	(1,088.2)	(10.5)	-	(1,225.0)	(1,384.9)
Decrease due to revaluation of other assets	-	(1.5)	(0.5)	(0.3)	-	-	(0.5)	(1.8)
Transfers to/from (accumulated losses)/retained earnings	42.0	114.1	138.4	126.9	13.0	(10.5)	193.4	230.5
Effect of foreign currency translation	(13.5)	(22.4)	(59.7)	(46.4)	(0.4)	-	(73.6)	(68.8)
Balance at the end of the year	(178.0)	(206.5)	(929.8)	(1,008.0)	2.1	(10.5)	(1,105.7)	(1,225.0)
Refer to note 1(f) for the accounting policy relating to this reserve.								
(b) Cash flow hedge reserve								
Balance at the beginning of the year	(0.1)	(0.4)	(12.6)	(26.6)	-	-	(12.7)	(27.0)
Change in value of financial instruments	-	-	0.8	8.3	-	-	0.8	8.3
Transfers to the income statement	-	0.4	2.4	7.7	-	-	2.4	8.1
Effect of foreign currency translation	-	(0.1)	(0.2)	(2.0)	-	-	(0.2)	(2.1)
Balance at the end of the year	(0.1)	(0.1)	(9.6)	(12.6)	-	-	(9.7)	(12.7)
Refer to note 1(s) for the accounting policy relating to this reserve.								
(c) Foreign currency translation reserve								
Balance at the beginning of the year	(26.4)	(48.8)	(497.0)	(742.0)	72.6	-	(450.8)	(790.8)
Transfers to the income statement	-	(13.3)	-	-	-	-	-	(13.3)
Net exchange differences on conversion of foreign operations	(57.1)	35.7	245.9	245.0	4.9	72.6	193.7	353.3
Balance at the end of the year	(83.5)	(26.4)	(251.1)	(497.0)	77.5	72.6	(257.1)	(450.8)
Refer to note 1(c) for the accounting policy relating to this reserve.								
(d) Employee compensation reserve								
Balance at the beginning of the year	2.4	26.1	49.0	-	1.0	-	52.4	26.1
Transfers between GL and GIT	-	(34.3)	-	34.3	-	-	-	-
Equity settled share based payment expense	17.5	(2.2)	8.0	22.1	2.2	1.0	27.7	20.9
Transfers to/from (accumulated losses)/retained earnings	(15.8)	12.8	-	(7.4)	-	-	(15.8)	5.4
Balance at the end of the year	4.1	2.4	57.0	49.0	3.2	1.0	64.3	52.4
Refer to note 1(i) for the accounting policy relating to this reserve.								
(e) Defined benefit funds actuarial losses reserve								
Balance at the beginning of the year	(18.4)	(23.6)	-	-	-	-	(18.4)	(23.6)
Actuarial (losses)/gains on defined benefit superannuation funds	(1.9)	6.9	-	-	-	-	(1.9)	6.9
Effect of foreign currency translation	(2.0)	(1.7)	-	-	-	-	(2.0)	(1.7)
Balance at the end of the year	(22.3)	(18.4)	-	-	-	-	(22.3)	(18.4)
Refer to note 1(i) for the accounting policy relating to this reserve.								
Total reserves	(279.8)	(249.0)	(1,133.5)	(1,468.6)	82.8	63.1	(1,330.5)	(1,654.5)

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

20 (Accumulated losses)/retained earnings

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

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

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

21 Other non-controlling interests

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

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

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

Goodman PLUS Trust hybrid securities

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

The key terms of the Goodman PLUS are as follows:

- + distributions under the Goodman PLUS are payable quarterly on 31 March, 30 June, 30 September and 31 December at a margin of 3.90% per annum over the three month Bank Bill Swap Rate;
- + a step up margin of 0.25% will apply if the Goodman PLUS are not repurchased, exchanged or successfully remarketed on or before 30 September 2022. The first remarketing date under the amended terms is 31 December 2017 and thereafter every five years;
- + a final step up margin of 0.75% per annum will apply if the Goodman PLUS are not repurchased or exchanged on or before 31 December 2038; and
- + Goodman PLUS holders will have the right to require Goodman PLUS Trust to elect to repurchase or exchange the Goodman PLUS on 31 December 2073.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

22 Commitments

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

Development activities

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

Investment properties

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

Managed funds

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

23 Notes to the cash flow statement

(a) Reconciliation of cash

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

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

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

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

(c) Non-cash transactions

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

24 Controlled entities

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

25 Related parties

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

Non-Executive Directors

Mr Ian Ferrier, AM
 Mr Philip Fan
 Mr John Harkness
 Ms Anne Keating
 Ms Rebecca McGrath
 Mr Phillip Pryke
 Mr Jim Sloman, OAM

Executive Directors

Mr Gregory Goodman
 Mr Philip Pearce
 Mr Danny Peeters
 Mr Anthony Rozic

Other senior executives

Mr Nick Kurtis
 Mr Nick Vrontas
 Mr Jason Little.

Remuneration of key management personnel

The key management personnel remuneration totals are as follows:

	Consolidated		Goodman Limited¹	
	2014	2013	2014	2013
	\$M	\$M	\$M	\$M
Short-term employee benefits	17.1	16.6	-	-
Post-employment benefits	0.2	0.2	-	-
Equity compensation benefits	9.3	7.7	-	-
	26.6	24.5	-	-

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

Individual Directors' and executives' compensation disclosures

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

25 Related parties (cont)

Transactions with associates and JVs

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

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

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

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

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

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

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

Transactions with other related parties

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management

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

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

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

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

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

Capital management

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(a) Market risk (cont)

Foreign exchange risk (cont)

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

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

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

Sensitivity analysis

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(a) Market risk (cont)

Interest rate risk

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

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

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

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

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

	2014		2013	
	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum
Number of years post balance date				
1 year	2,250.8	4.12%	2,110.4	4.87%
2 years	2,083.5	4.57%	1,889.9	4.91%
3 years	1,800.3	4.98%	1,575.4	5.76%
4 years	1,504.9	5.29%	1,205.4	6.70%
5 years	844.8	3.64%	1,005.7	7.26%

Sensitivity analysis

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

Price risk

The Consolidated Entity is not exposed to price risk.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(b) Liquidity risk

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

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

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(b) Liquidity risk (cont)

The contractual maturities of financial liabilities are set out below:

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

1. Cash flows relating to non-derivative financial liabilities under revolving facilities exclude any estimated interest payments.
2. Net settled includes IRS and forward foreign currency contracts.
3. Gross settled includes CCIRS.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 8).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance.

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is generally transferred only upon receipt of proceeds for the sale of those assets.

From time to time, the Consolidated Entity also makes loans to associates and JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

The credit risks associated with financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
- + utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties.

(d) Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. Under the terms of these arrangements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. As the Consolidated Entity does not have any current legally enforceable right to offset, these amounts have not been offset in the statement of financial position.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Derivative financial instruments as reported in the statement of financial position \$M	Related financial instruments that are not offset \$M	Net amount \$M
As at 30 June 2014			
Derivative financial assets			
- Interest rate swaps	28.7	(22.9)	5.8
- Cross currency interest rate swaps	74.6	(72.7)	1.9
	103.3	(95.6)	7.7
Derivative financial liabilities			
- Interest rate swaps	(74.7)	22.9	(51.8)
- Cross currency interest rate swaps	(229.1)	72.7	(156.4)
	(303.8)	95.6	(208.2)
As at 30 June 2013			
Derivative financial assets			
- Interest rate swaps	16.5	(13.6)	2.9
- Cross currency interest rate swaps	104.1	(68.9)	35.2
	120.6	(82.5)	38.1
Derivative financial liabilities			
- Interest rate swaps	(96.4)	13.6	(82.8)
- Cross currency interest rate swaps	(143.3)	68.9	(74.4)
	(239.7)	82.5	(157.2)

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(e) Fair values of financial instruments

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

	Carrying amount 2014 \$M	Fair value 2014 \$M	Carrying amount 2013 \$M	Fair value 2013 \$M
Consolidated				
Financial assets				
Cash	359.9	359.9	645.4	645.4
Receivables:				
- Loans and receivables	420.9	420.9	527.4	527.4
- Interest rate swaps	28.6	28.6	16.5	16.5
- Cross currency interest rate swaps	74.6	74.6	104.1	104.1
- Foreign exchange contracts	0.1	0.1	-	-
Other financial assets:				
- Investments in unlisted securities	13.1	13.1	15.7	15.7
	897.2	897.2	1,309.1	1,309.1
Financial liabilities				
Payables:				
- Trade payables and other payables and accruals	374.7	374.7	345.7	345.7
- Interest rate swaps	74.7	74.7	96.4	96.4
- Cross currency interest rate swaps	229.1	229.1	143.3	143.3
Interest bearing liabilities ¹	2,160.5	2,522.1	2,249.8	2,490.3
	2,839.0	3,200.6	2,835.2	3,075.7

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2014 (refer to note 15).

(f) Fair value hierarchy

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

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2014				
Available for sale financial assets	-	-	13.1	13.1
Derivative financial assets	-	103.3	-	103.3
	-	103.3	13.1	116.4
Derivative financial liabilities	-	303.8	-	303.8
	-	303.8	-	303.8
As at 30 June 2013				
Available for sale financial assets	-	-	15.7	15.7
Derivative financial assets	-	120.6	-	120.6
	-	120.6	15.7	136.3
Derivative financial liabilities	-	239.7	-	239.7
	-	239.7	-	239.7

There were no transfers between the levels during the year.

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

26 Financial risk management (cont)

(f) Fair value hierarchy (cont)

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

The Level 2 derivative financial instruments held by the Consolidated Entity consist of interest rate swaps, cross currency interest rate swaps and foreign exchange contracts.

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

The Level 3 available for sale financial assets related primarily to GEBPF. The fair value was determined by reference to the net asset value of GEBPF, which incorporated the fair values of investment properties.

27 Auditors' remuneration

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

Goodman Limited and its Controlled Entities
Notes to the consolidated financial statements for the year ended 30 June 2014

28 Parent Entity disclosures

As at, and throughout the financial year ended, 30 June 2014, the parent company of the Consolidated Entity was Goodman Limited.

	2014	2013
	\$M	\$M
Result of the Parent Entity		
(Loss)/profit for the year	(23.9)	178.9
Other comprehensive income	-	-
Total comprehensive income for the year	(23.9)	178.9
Financial position of the Parent Entity at year end		
Current assets	220.9	255.1
Total assets	1,294.6	971.3
Current liabilities	865.1	431.6
Total liabilities	865.1	431.6
Total equity of the Parent Entity comprising of:		
Issued capital	674.5	672.4
Profits reserve	90.2	178.9
Employee compensation reserve	2.9	2.6
Accumulated losses	(338.1)	(314.2)
Total equity	429.5	539.7

Parent Entity capital commitments

The Parent Entity has no capital commitments (2013: \$nil).

Parent Entity contingencies

Capitalisation Deed Poll

The Company and certain of its wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to or proceeds for the subscription of equity in, the borrower by the investor. As at 30 June 2014, the Consolidated Entity had A\$155.4 million (2013: A\$263.0 million) of debt which had the benefit of the CDP.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 15), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 15), Goodman Funding Pty Limited, a controlled entity of GIT, issued US\$325.0 million, US\$500.0 million and US\$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

Goodman PLUS guarantee

Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and Goodman Logistics (HK) Limited, guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS (refer to note 21) under the terms of issue and subscription terms for those securities.

29 Events subsequent to balance date

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

Goodman Limited and its Controlled Entities
Directors' declaration

In the opinion of the directors of Goodman Limited:

- (a) the consolidated financial statements and the notes set out on pages 37 to 107 and the remuneration report that is contained on pages 12 to 30 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

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

Signed in accordance with a resolution of the Directors.



Ian Ferrier, AM
Independent Chairman

Sydney, 14 August 2014



Gregory Goodman
Group Chief Executive Officer

Independent auditor's report to the members of Goodman Limited

Report on the financial report

We have audited the accompanying financial report of Goodman Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Consolidated Entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

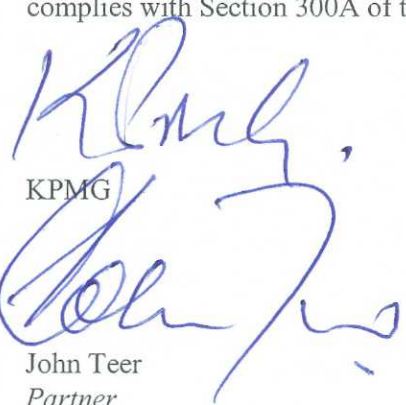
- (a) the financial report of Goodman Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 30 of the Directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Goodman Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.



KPMG

John Teer
Partner

Sydney

14 August 2014