



Announcement to Singapore Exchange

28 September 2015

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

ANNOUNCEMENT OF GOODMAN GROUP 2015 ANNUAL REPORT – PART 2

We attach Goodman Group’s 2015 Annual Report (Part 2) as released to the Australian Securities Exchange and sent to Securityholders.

Yours sincerely,

For Goodman Australia Finance Pty Limited

Carl Bicego
Company Secretary

GOODMAN INDUSTRIAL TRUST AND ITS CONTROLLED ENTITIES

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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DIRECTORS' REPORT

The directors (Directors) of Goodman Funds Management Limited (Responsible Entity), the responsible entity for Goodman Industrial Trust (GIT, Trust or Parent Entity), present their Directors' report together with the consolidated financial report of GIT and the entities it controlled (Consolidated Entity) at the end of, or during, the year ended 30 June 2015 and the audit report thereon.

GIT is deemed to be a controlled entity of Goodman Limited (GL). In this consolidated financial report, GL and its controlled entities are referred to as Goodman Group.

GIT's units are stapled to both shares in GL and CHESS Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

Principal activities

The principal activity of the Consolidated Entity during the year was property investment. There were no significant changes to the nature of the Consolidated Entity's activities during the year.

Directors	Appointment date
Mr Ian Ferrier, AM (Independent Chairman)	23 February 2005
Mr Gregory Goodman (Group Chief Executive Officer)	17 January 1995
Mr Philip Fan (Independent Director)	1 December 2011
Mr John Harkness (Independent Director)	1 September 2004
Ms Anne Keating (Independent Director)	6 February 2004
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Philip Pearce (Managing Director, Greater China)	1 January 2013
Mr Danny Peeters (Executive Director, Corporate)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Group Chief Executive Officer)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 101 to 102 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 102 in this Directors' report.

Directors' meetings

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

Directors	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held ¹	Attended ²	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Mr Ian Ferrier	13	13	4	4	3	3	—	—
Mr Gregory Goodman	13	13	—	—	—	—	—	—
Mr Philip Fan	13	12	4	4	—	—	4	4
Mr John Harkness	13	12	4	4	—	—	4	4
Ms Anne Keating	13	12	—	—	3	3	4	4
Ms Rebecca McGrath	13	12	—	—	3	3	4	4
Mr Philip Pearce	13	13	—	—	—	—	—	—
Mr Danny Peeters	13	13	—	—	—	—	—	—
Mr Phillip Pryke	13	13	4	4	3	3	—	—
Mr Anthony Rozic	13	13	—	—	—	—	—	—
Mr Jim Sloman	13	13	—	—	3	3	4	4

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

2. Each Director attended every scheduled meeting. Several additional meetings were held on short notice for which some directors were unable to attend. However, they were able to review papers and provide their input into the meeting. At all times, there was a majority of independent directors at all meetings.

Operating and financial review

Goodman Group's strategy

Goodman Group's vision is to be a global leader in industrial property.

This vision is executed through five strategic pillars, which are supported by the integrated own+develop+manage business model. These pillars are:

- + **Quality partnerships** – develop and maintain strong relationships with key stakeholders including customers, capital partners, suppliers and employees;
- + **Quality product and service** – deliver high quality products and customer service in key logistics markets globally by actively leveraging Goodman Group's industrial sector expertise, development and management experience and global operating platform;
- + **Culture and brand** – promote Goodman Group's unique and recognisable brand and embed Goodman Group's core values across each operating division to foster a strong and consistent culture;
- + **Operational efficiency** – optimise business resources to ensure effectiveness and drive efficiencies; and
- + **Capital efficiency** – maintain active capital management to facilitate appropriate returns and sustainability of the business.

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

	Consolidated	
	2015 \$M	2014 \$M
Net property income	113.0	117.5
Share of net results of equity accounted investments (before asset revaluations and derivative mark to market movements)	239.0	236.0
Investment earnings	352.0	353.5
Profit attributable to unitholders of GIT (Unitholders)	903.3	454.0
Total comprehensive income attributable to Unitholders	1,169.4	644.8

Property investment

Investment earnings comprise gross property income, net of property expenses, and the Consolidated Entity's share of the results of equity accounted investments. The key drivers for maintaining or growing the Consolidated Entity's investment earnings are increasing the level of assets in partnerships (subject also to the Consolidated Entity's direct and indirect interest), maintaining or increasing occupancy and rental levels within the portfolio, changes to rent levels and changes in financing arrangements.

During the year, attractive capital market conditions have provided Goodman Group with ongoing opportunities to selectively rotate assets. As a result, \$1.9 billion of properties across Goodman Group and its managed partnerships have been sold to third parties. However, Goodman Group's managed partnerships have continued to invest in new, well located assets funded, at least in part, by the proceeds from asset rotation. This continued investment has resulted in Goodman Group's assets under management increasing in most regions.

Goodman Group continues to progress its urban renewal strategy in Australia and has achieved positive planning outcomes on a number of sites. At 30 June 2015, the Consolidated Entity has \$0.7 billion of sites conditionally contracted for sale, reflecting the strong demand for zoned residential sites and expects to realise these sale proceeds over the next three years, providing medium term capital to fund opportunities for the Consolidated Entity and its partnerships.

The Consolidated Entity's net property income has decreased compared to the prior year due to asset sales and the repositioning of assets for urban renewal. Share of net results of equity accounted investments (referred to as partnerships) has been negatively impacted by the sale of Arlington Business Parks Partnership (ABPP) to GL during the year but is still higher compared to the prior year due to stronger leasing activity and growth in assets from acquisitions and developments.

Goodman Group's property fundamentals remain strong, reflecting the quality of the portfolio and customers. Occupancy has been maintained at 96% with a weighted average lease expiry of 4.8 years. Like-for-like rental net property income growth across the portfolio is 2.5% and reversions on new leasing deals are 4.7%.

Property valuations

In relation to urban renewal, where zoning changes have occurred the sites have been externally valued to reflect the highest and best use and this has contributed approximately 55% of asset revaluation gains during the year. The strong investment markets in most divisions have also favourably impacted asset pricing and total net property valuation gains for the year, including both directly held properties and the Consolidated Entity's share of partnerships, are in excess of \$550 million.

Statement of financial position

	Consolidated	
	2015 \$M	2014 \$M
Stabilised investment properties	2,052.2	1,776.9
Cornerstone investments in partnerships	3,166.5	3,000.3
Development holdings	209.0	276.0
Loans to related parties	3,233.1	2,704.9
Cash	602.4	227.9
Other assets	359.9	178.5
Total assets	9,623.1	8,164.5
Interest bearing liabilities	2,604.8	2,160.5
Other liabilities	824.0	704.7
Total liabilities	3,428.8	2,865.2
Non-controlling interests	325.8	325.8
Net assets attributable to Unitholders	5,868.5	4,973.5

Operating and financial review continued

Stabilised investment properties

The value of stabilised investment properties has increased by \$275.3 million to \$2,052.2 million, which is primarily due to revaluation gains during the year of \$381.8 million partially offset by asset disposals. The majority of the stabilised investment properties are in Australia and include a number of sites with potential for urban renewal. The positive planning outcomes on these urban renewal sites have been a key driver of the valuation gains.

Cornerstone investments in partnerships

The value of cornerstone investments in partnerships has increased by \$166.2 million to \$3,166.5 million, of which \$147.7 million is a result of movement in foreign currency. Additional capital contributions to fund acquisitions and developments and share of results of partnerships, net of distributions, account for a further increase of approximately \$340 million. This is offset by the disposal of the Consolidated Entity's investment in ABPP to GL and asset disposals in Australia and Continental Europe as the partnerships capitalise on the strong investment market. This strong investment market has also resulted in a tightening of capitalisation rates, resulting in valuation gains of \$174.9 million.

Loans to related parties

Loans to related parties are primarily loans to GL, GLHK and their controlled entities. The majority of interest bearing liabilities in Goodman Group is held by the Consolidated Entity which on lends the proceeds to other members of Goodman Group to fund acquisitions and developments. Loans to related parties have increased by \$528.2 million to \$3,233.1 million. The increase is primarily due to movement in foreign currency and loans extended to GL to fund its acquisition of ABPP, partially offset by the repayment of loans by GL, GLHK and their controlled entities.

Cash and interest bearing liabilities

Interest bearing liabilities net of cash are \$2,002.4 million compared to \$1,932.6 million at 30 June 2014. The increase is primarily due to foreign currency exchange movements. Movements in other assets and other liabilities mainly reflect the changes in the Consolidated Entity's derivative financial instruments.

Issued capital

The movement in units on issue in GIT during the year is set out below:

	Consolidated	
	2015 M	2014 M
Units on issue at the beginning of the year	1,727.7	1,713.2
Units issued	25.3	14.5
Units on issue at the end of the year	1,753.0	1,727.7

Capital management

Goodman Group has maintained a sound financial position with gearing at 17.3% (2014:19.5%), well within Goodman Group's target range. Interest cover remains high at 6.0 times.

At 30 June 2015, Goodman Group had available liquidity of \$1.8 billion and a weighted average debt maturity profile of 4.7 years, with debt maturities fully covered to December 2019. Goodman Group's Standard and Poor's credit rating remains at BBB with a stable outlook and Moody's credit rating remains at Baa2/stable.

Furthermore, Goodman Group's distribution reinvestment plan (DRP) was active during the financial year, raising a total of \$89.4 million, of which \$68.3 million related to the Consolidated Entity.

Outlook

The majority of the Consolidated Entity's key markets are experiencing low inflation and low growth, which is likely to result in below-average rental growth in those markets. At the same time, government stimulus measures have generated significant liquidity and the demand for yield assets is driving capital values very strongly. Given these macro-economic conditions, development activities currently provide the best risk adjusted returns for the Consolidated Entity and opportunities exist to rotate capital in order to improve the overall quality of the Consolidated Entity's property portfolios and fund growth.

Urban renewal activity is expected to remain strong in the Australian market over the medium term. The impact of urban renewal on the Consolidated Entity's income statement will most likely manifest in the form of asset revaluations, with realisations over the next 3 years.

At the same time, Goodman Group will maintain its prudent capital management policy, with headline gearing targeted to remain low and significant available liquidity to be retained. This will allow Goodman Group to take advantage of future opportunities that might arise.

Overall, the Consolidated Entity will benefit from its globally diversified platform and is well positioned to achieve solid earnings growth for the year ending 30 June 2016.

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.

Distributions

The total distribution declared to ordinary Unitholders during the year was 22.2 cents per unit (2014: 20.7 cents per unit). Further details of distributions paid or declared during the year are set out in note 11 to the consolidated financial statements.

Environmental regulations

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

Interests of the Responsible Entity

The Responsible Entity did not hold any units either directly or indirectly in the Consolidated Entity at any time during the year and up to the date of signature of the consolidated financial report.

Indemnification and insurance of officers and auditors

The Responsible Entity is entitled to be indemnified out of the assets of the Trust. Current and former directors of the Responsible Entity are entitled to be indemnified under the constitution of the Responsible Entity. The directors of Responsible Entity are also directors of GL. Deeds of Indemnity have been executed by GL, consistent with the Constitution of GL, in favour of each Director. The Deed indemnifies each Director to the extent permitted by law for liabilities (other than legal costs) incurred in their capacity as a director of GL, the Responsible Entity or other controlled entities of GL and, in respect of legal costs, for liabilities incurred in defending or resisting civil or criminal proceedings.

Goodman Group has insured to the extent permitted by law, current and former directors and officers of the Responsible Entity in respect of liability and legal expenses incurred in their capacity as a director or officer. As it is prohibited under the terms of the contract of insurance, the Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid.

The auditors of the Consolidated Entity are not indemnified by the Consolidated Entity or covered in any way by this insurance in respect of the audit.

Fees paid to and interests held by related entities and Directors

Fees were paid or are payable to Goodman Limited and its associated entities for services provided during the year. Details of these fees and the interests of the Responsible Entity and other related party information are set out in note 18 to the consolidated financial statements.

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

Directors	Number of securities	Number of performance rights
Non-Executive		
Mr Ian Ferrier	159,309	—
Mr Philip Fan	59,463	—
Mr John Harkness	92,666	—
Ms Anne Keating	64,033	—
Ms Rebecca McGrath	20,395	—
Mr Phillip Pryke	108,232	—
Mr Jim Sloman	83,244	—
Executive		
Mr Gregory Goodman	41,476,923	3,763,653
Mr Philip Pearce	178,803	1,374,438
Mr Danny Peeters	896,903	1,887,302
Mr Anthony Rozic	539,690	1,932,551

At 30 June 2015, Mr Anthony Rozic held 1,000 of the perpetual preferred units (Goodman PLUS) issued by Goodman PLUS Trust. None of the other Directors holds any relevant interests in Goodman PLUS.

Qualifications, experience and special responsibilities of Directors and Company Secretary

Board of Directors

**Mr Ian Ferrier, AM – Independent Chairman
Member of the Audit Committee and Remuneration and
Nomination Committee
Appointed 23 February 2005; Tenure 10 years, 4 months**

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of Chartered Accountants Australia and New Zealand and has in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of Reckon Limited (a director since August 2004) and a director of EnergyOne Limited (since January 2007). He was formerly the Chairman of InvoCare Limited (from March 2001 to October 2013) and Australian Vintage Ltd from March 1991 to May 2015.

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

**Mr Gregory Goodman – Group Chief Executive Officer
Appointed 17 January 1995; Tenure 20 years, 5 months**

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

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

**Mr Philip Fan – Independent Director
Member of the Audit Committee and Risk and
Compliance Committee
Appointed 1 December 2011; Tenure 3 years, 7 months**

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

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

**Mr John Harkness – Independent Director
Chairman of the Audit Committee and Risk and
Compliance Committee
Appointed 1 September 2004; Tenure 10 years, 10 months**

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

**Ms Anne Keating – Independent Director
Member of the Remuneration and Nomination Committee
and Risk and Compliance Committee
Appointed 6 February 2004; Tenure 11 years, 5 months**

Anne has 20 years of experience as a director of public companies. She is currently a director of REVA Medical, Inc. (since October 2010), Gl Dynamics, Inc. (since June 2011) and The Garvan Institute of Medical Research. Anne is also the Chairman of Houlihan Lokey Australia Pty Ltd a private global investment bank based in Los Angeles. 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, STW Limited and Ardent Leisure Group (March 1998 to September 2014).

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

**Ms Rebecca McGrath – Independent Director
Member of the Remuneration and Nomination Committee
and Risk and Compliance Committee
Appointed 3 April 2012; Tenure 3 years, 3 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) and an independent director of Barristers' Chambers Limited. During her executive career at BP plc, she held numerous senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the United Kingdom 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.

Qualifications, experience and special responsibilities of Directors and Company Secretary continued

Board of Directors continued

Mr Philip Pearce – Managing Director, Greater China Appointed 1 January 2013; Tenure 2 year, 6 months

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

Philip is a director and/or representative of Goodman Group's Greater China 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 2 year, 6 months

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

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

Mr Phillip Pryke – Independent Director Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee Appointed 13 October 2010; Tenure 4 years, 9 months

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

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

Mr Anthony Rozic – Deputy Group Chief Executive Officer Appointed 1 January 2013; Tenure 2 year, 6 months

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

Anthony is also a director of Goodman Group's subsidiaries and was recently responsible for establishing Goodman Group's investment into the United States where he continues to be actively involved operationally.

Mr Jim Sloman, OAM – Independent Director Member of the Remuneration and Nomination Committee and Risk and Compliance Committee Appointed 1 February 2006; Tenure 9 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 adviser 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 Group.

Company Secretary

Mr Carl Bicego – Company Secretary Appointed 24 October 2006

Carl is the Company Secretary of Goodman Limited and its Australian controlled entities, as well as Legal Counsel – Head of Corporate in Australia. He has over 17 years of legal experience in corporate law and joined Goodman Group from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Rights over Goodman Group stapled securities

Details of the performance rights over Goodman Group stapled securities held by the Directors are set out below. None of the Non-Executive Directors held any rights over Goodman Group stapled securities. No rights have been granted since the end of the financial year.

Performance rights

	Number of performance rights granted	Date performance rights granted	% vested in prior years	% vested in the year	% forfeited	Financial years in which grant vests
Executive Directors						
Mr Gregory Goodman	995,476	20 Nov 2014	–	–	–	2018 – 2020
	947,368	22 Nov 2013	–	–	–	2017 – 2019
	927,152	16 Nov 2012	–	–	–	2016 – 2018
	980,000	25 Nov 2011	–	33.2	0.5	2015 – 2017
	730,770	1 Feb 2011	33.3	33.3	–	2014 – 2016
	780,000	14 May 2010	66.7	33.3	–	2013 – 2015
Mr Philip Pearce	497,738	20 Nov 2014	–	–	–	2018 – 2020
	394,737	22 Nov 2013	–	–	–	2017 – 2019
	298,013	16 Nov 2012	–	–	–	2016 – 2018
	200,000	30 Sep 2011	–	33.2	0.5	2015 – 2017
	153,847	1 Feb 2011	33.3	33.3	–	2014 – 2016
	229,167	14 May 2010	66.7	33.3	–	2013 – 2015
Mr Danny Peeters	497,738	20 Nov 2014	–	–	–	2018 – 2020
	421,053	22 Nov 2013	–	–	–	2017 – 2019
	463,576	12 Oct 2012	–	–	–	2016 – 2018
	520,000	30 Sep 2011	–	33.2	0.5	2015 – 2017
	480,000	1 Feb 2011	33.3	33.3	–	2014 – 2016
	554,436	14 May 2010	66.7	33.3	–	2013 – 2015
Mr Anthony Rozic	542,987	20 Nov 2014	–	–	–	2018 – 2020
	421,053	22 Nov 2013	–	–	–	2017 – 2019
	463,576	12 Oct 2012	–	–	–	2016 – 2018
	520,000	30 Sep 2011	–	33.2	0.5	2015 – 2017
	480,000	1 Feb 2011	33.3	33.3	–	2014 – 2016
	520,834	14 May 2010	66.7	33.3	–	2013 – 2015

Unissued securities under option

Unissued securities under option include the performance rights awarded to employees of Goodman Group under the Long Term Incentive Plan (LTIP).

At the date of signature of this Directors' report, performance rights issued to employees under the LTIP and the applicable relative total securityholder return (TSR) or earnings per security (EPS) performance hurdles were:

Expiry date	Exercise price \$	Number of performance rights ¹	Performance hurdles ²
September 2019	–	14,246,949	Relative TSR (25%) and operating EPS (75%)
September 2018	–	12,300,550	Relative TSR (25%) and operating EPS (75%)
September 2017	–	11,492,964	Relative TSR (25%) and operating EPS (75%)
September 2016	–	6,808,125	Relative TSR (25%) and operating EPS (75%)
September 2015	–	2,605,044	Relative TSR (25%) and operating EPS (75%)

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

2. Performance hurdles are based on the results of Goodman Group.

DIRECTORS' REPORT

CONTINUED

Events subsequent to balance date

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

Declaration by Group Chief Executive Officer and Chief Financial Officer

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board of GFML that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2015 have been properly maintained and the financial report of the Consolidated Entity for the year ended 30 June 2015 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 105 and forms part of this Directors' report for the year.

Rounding

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

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



Ian Ferrier, AM
Independent Chairman

Sydney, 13 August 2015



Gregory Goodman
Group Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION



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

To: the directors of Goodman Funds Management Limited, as responsible entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015, there have been:

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

A handwritten signature in dark ink, appearing to read 'KPMG', with a small horizontal line at the end.

KPMG

A handwritten signature in dark ink, appearing to read 'John Teer', with a small horizontal line at the end.

John Teer
Partner

Sydney, 13 August 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

		Consolidated	
	Note	2015 \$M	2014 \$M
Current assets			
Cash	13(a)	602.4	227.9
Receivables	5	3,326.7	2,726.7
Inventories	4(b)	9.0	4.2
Other financial assets	9	4.4	0.1
Other assets		5.4	5.6
Total current assets		3,947.9	2,964.5
Non-current assets			
Receivables	5	12.0	39.6
Inventories	4(b)	125.5	98.3
Investment properties	4(b)	2,126.7	1,950.4
Investments accounted for using the equity method	4(b)	3,166.5	3,000.3
Other financial assets	9	244.5	111.4
Total non-current assets		5,675.2	5,200.0
Total assets		9,623.1	8,164.5
Current liabilities			
Deferred income		0.5	1.6
Payables	6	148.4	118.4
Provision for distributions	11	194.6	178.8
Other financial liabilities	9	50.5	0.8
Total current liabilities		394.0	299.6
Non-current liabilities			
Payables	6	82.7	102.1
Interest bearing liabilities	8	2,604.8	2,160.5
Other financial liabilities	9	347.3	303.0
Total non-current liabilities		3,034.8	2,565.6
Total liabilities		3,428.8	2,865.2
Net assets		6,194.3	5,299.3
Equity			
Issued capital	12	7,131.4	7,025.2
Reserves	14	252.0	(1,154.4)
Accumulated losses	15	(1,514.9)	(897.3)
Total equity attributable to Unitholders		5,868.5	4,973.5
Non-controlling interests	16	325.8	325.8
Total equity		6,194.3	5,299.3

The consolidated statement of financial position is to be read in conjunction with the accompanying notes. To conform with the current year's presentation, certain prior year comparatives have been reclassified (refer to note 5, 6 and 9).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	2015 \$M	2014 \$M
Revenue and other income			
Gross property income		160.6	164.0
Income from disposal of inventories		–	4.0
Net gain from fair value adjustments on investment properties	4(e)	381.8	23.8
Net gain on disposal of investment properties	2	6.7	0.8
Net gain on disposal of controlled entities	2	32.1	0.2
Share of net results of equity accounted investments	2	422.8	350.8
Net loss on disposal of equity investments	2	–	(1.2)
Other income		2.5	1.5
		1,006.5	543.9
Property and other expenses			
Property expenses		(47.6)	(46.5)
Inventory cost of sales		–	(2.7)
Trust expenses		(20.9)	(19.6)
Impairment losses	2	(7.6)	(4.5)
Other expenses		(2.4)	(2.5)
		(78.5)	(75.8)
Profit before interest and tax		928.0	468.1
Net finance income/(expense)			
Finance income	7	266.2	198.9
Finance expense	7	(267.8)	(185.6)
Net finance (expense)/income		(1.6)	13.3
Profit before income tax		926.4	481.4
Income tax expense		(1.9)	(6.0)
Profit for the year		924.5	475.4
Profit attributable to Unitholders		903.3	454.0
Profit attributable to non-controlling interests		21.2	21.4
Profit for the year		924.5	475.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	2015 \$M	2014 \$M
Profit for the year		924.5	475.4
Other comprehensive income for the year			
Items that are or may be reclassified to profit or loss			
Increase due to revaluation of other financial assets	14(a)	2.1	1.6
Cash flow hedges:			
– Change in value of financial instruments	14(b)	0.8	0.8
– Transfers from cash flow hedge reserve	14(b)	4.1	2.4
Effect of foreign currency translation	14	259.1	186.0
Other comprehensive income for the year, net of tax		266.1	190.8
Total comprehensive income for the year		1,190.6	666.2
Total comprehensive income attributable to:			
Unitholders		1,169.4	644.8
Non-controlling interests		21.2	21.4
Total comprehensive income for the year		1,190.6	666.2

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

Year ended 30 June 2014
Consolidated

		Attributable to Unitholders					
	Note	Issued capital \$M	Reserves \$M	Accumulated losses \$M	Total \$M	Non-controlling interests \$M	Total equity \$M
Balance at 1 July 2013		6,973.2	(1,491.6)	(856.2)	4,625.4	331.5	4,956.9
Total comprehensive income for the year							
Profit for the year	15	–	–	454.0	454.0	21.4	475.4
Other comprehensive income for the year, net of tax		–	190.8	–	190.8	–	190.8
Total comprehensive income for the year		–	190.8	454.0	644.8	21.4	666.2
Transfers		–	138.4	(138.4)	–	–	–
Contributions by and distributions to owners							
Distributions declared on ordinary units	11	–	–	(356.7)	(356.7)	–	(356.7)
Distributions paid on Goodman PLUS	16	–	–	–	–	(27.1)	(27.1)
Issue of ordinary units under the Goodman Group DRP		32.5	–	–	32.5	–	32.5
Issue of ordinary units under the Goodman Group LTIP		19.5	–	–	19.5	–	19.5
Equity settled share based payments transaction relating to Goodman Group		–	8.0	–	8.0	–	8.0
Balance at 30 June 2014		7,025.2	(1,154.4)	(897.3)	4,973.5	325.8	5,299.3

Year ended 30 June 2015
Consolidated

		Attributable to Unitholders					
	Note	Issued capital \$M	Reserves \$M	Accumulated losses \$M	Total \$M	Non-controlling interests \$M	Total equity \$M
Balance at 1 July 2014		7,025.2	(1,154.4)	(897.3)	4,973.5	325.8	5,299.3
Total comprehensive income for the year							
Profit for the year	15	–	–	903.3	903.3	21.2	924.5
Other comprehensive income for the year, net of tax		–	266.1	–	266.1	–	266.1
Total comprehensive income for the year		–	266.1	903.3	1,169.4	21.2	1,190.6
Transfers		–	1,132.6	(1,132.6)	–	–	–
Contributions by and distributions to owners							
Distributions declared on ordinary units	11	–	–	(388.3)	(388.3)	–	(388.3)
Distributions paid on Goodman PLUS	16	–	–	–	–	(21.2)	(21.2)
Issue of ordinary units under the Goodman Group DRP		68.3	–	–	68.3	–	68.3
Issue of ordinary units under the Goodman Group LTIP		38.0	–	–	38.0	–	38.0
Issue costs on ordinary units		(0.1)	–	–	(0.1)	–	(0.1)
Equity settled share based payments transaction relating to Goodman Group		–	7.7	–	7.7	–	7.7
Balance at 30 June 2015		7,131.4	252.0	(1,514.9)	5,868.5	325.8	6,194.3

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	2015 \$M	2014 \$M
Cash flows from operating activities			
Property income received		163.5	171.8
Proceeds from disposal of inventories		–	4.4
Other cash receipts from services provided		0.4	6.7
Property expenses paid		(47.8)	(47.7)
Payments for inventories		(74.3)	(12.2)
Other cash payments in the course of operations		(23.9)	(37.6)
Dividends/distributions received from equity accounted investments		228.0	149.8
Interest received		13.4	14.5
Finance costs paid		(116.0)	(114.5)
Net income taxes paid		(3.6)	(0.6)
Net cash provided by operating activities	13(b)	139.7	134.6
Cash flows from investing activities			
Proceeds from disposal of investment properties		50.8	15.4
Proceeds from disposal of equity investments		–	226.5
Net cash movement on disposal of controlled entities		230.6	(7.3)
Payments for investment properties		(33.4)	(47.6)
Payments for equity investments		(145.5)	(256.4)
Net cash provided by/(used in) investing activities		102.5	(69.4)
Cash flows from financing activities			
Transaction costs from issue of units		(0.1)	–
Proceeds from borrowings		358.9	422.1
Repayments of borrowings		(279.0)	(535.2)
Loans from related parties		356.8	111.0
Distributions paid		(304.3)	(240.3)
Net cash provided by/(used in) financing activities		132.3	(242.4)
Net increase/(decrease) in cash held		374.5	(177.2)
Cash at the beginning of the year		227.9	405.1
Cash at the end of the year	13(a)	602.4	227.9

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

Non-cash transactions are included in note 13(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

1. Basis of preparation

Goodman Industrial Trust was established in Australia. The consolidated financial report of GIT for the year ended 30 June 2015 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and joint ventures (JVs).

The stapling of GIT, GL and GLHK was implemented on 22 August 2012. Following approval of the stapling, units in GIT, shares in GL and CHESS Depositary Interests (CDIs) over shares in GLHK were stapled to one another and are quoted as a single security on the ASX. Goodman Funds Management Limited (the responsible entity of GIT), GL and GLHK must at all times act in the best interests of the stapled entity.

(a) Statement of compliance

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

The consolidated financial report is presented in Australian dollars and was authorised for issue by the directors (Directors) of Goodman Funds Management Limited on 13 August 2015.

(b) Basis of preparation of the consolidated financial report

The consolidated financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at fair value:

- + investment properties;
- + derivative financial instruments; and
- + financial instruments classified as available for sale.

(c) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates ruling at the balance date.

Revenue and expenses are translated at weighted average rates for the financial year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. On cessation of operations in a foreign region, the cumulative exchange differences relating to the operations in that region, that have been included in the foreign currency translation reserve, are reclassified to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Basis of preparation continued

1. Basis of preparation continued

(c) Foreign currency translation continued

Exchange rates used

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

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2015	2014	2015	2014
New Zealand dollars (NZD)	1.0755	1.1064	1.1381	1.0772
Hong Kong dollars (HKD)	6.4869	7.1215	5.9739	7.3034
Japanese yen (JPY)	95.5310	92.7775	94.1320	95.4520
Euros (EUR)	0.6959	0.677	0.6910	0.6883
British pounds sterling (GBP)	0.5304	0.5652	0.4903	0.5511
United States dollars (USD)	0.8366	0.9183	0.7708	0.9424

(d) Income tax

Under current Australian income tax legislation, GIT is not liable for income tax provided that each year the taxable income and any taxable capital gain derived from the sale of an asset are fully distributed to Unitholders. The wholly-owned entities of GIT that operate in certain foreign jurisdictions are liable to pay tax in those jurisdictions.

Tax allowances for building and plant and equipment depreciation are distributed to Unitholders in the form of tax deferred components of distributions. Any taxable capital gains are distributed.

(e) Changes in accounting policy

The AASB has issued new standards and amendments to standards that are first effective for the current accounting period of the Consolidated Entity. There are no significant changes in accounting policies for the current financial year.

(f) Australian Accounting Standards issued but not yet effective

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

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

(g) 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.

(h) 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 4 – Property assets; and
- + Note 10 – 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 4 – Property assets; and
- + Note 10 – Financial risk management.

Results for the year

2. Profit before income tax

Gross property income

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

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

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

Disposal of inventories

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

Disposal of investment properties

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

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

	Consolidated	
	2015 \$M	2014 \$M
Net consideration from disposal of investment properties	53.5	14.6
Carrying value of investment properties disposed – refer to note 4(e)	(46.8)	(13.8)
Net gain on disposal of investment properties	6.7	0.8
Net consideration received and receivable from the disposal of controlled entities – refer to note 17	225.1	211.8
Carrying value of net assets disposed – refer to note 17	(193.0)	(211.8)
Net gain on disposal of special purpose development entities	–	0.2
Net gain on disposal of controlled entities	32.1	0.2
Share of net results of investments in associates – refer to note 4(f)(i)		
– Operating results after tax (before revaluations)	204.6	213.7
– Fair value adjustments on investment properties	145.9	116.0
– Fair value adjustments on derivative financial instruments	9.4	(7.0)
Share of net results of investments in JVs – refer to note 4(f)(ii)		
– Operating results after tax (before revaluations)	34.4	22.3
– Fair value adjustments on investment properties	29.0	8.1
– Fair value adjustments on derivative financial instruments	(0.5)	(2.3)
Share of net results of equity accounted investments	422.8	350.8
Net consideration from disposal of equity investments ¹	–	416.2
Carrying value of equity investments disposed	–	(417.4)
Net loss on disposal of equity investments	–	(1.2)
Impairment of receivables	–	(0.5)
Impairment of inventories	(7.6)	(3.6)
Impairment of equity accounted investments	–	(0.1)
Impairment of other financial assets	–	(0.3)
Impairment losses	(7.6)	(4.5)

1. In the prior financial year, the Consolidated Entity disposed of units in Goodman Australia Industrial Fund for consideration of \$53.1 million, Goodman Property Trust for consideration of \$194.7 million and Goodman European Logistics Fund for consideration of \$168.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Results for the year continued

3. Segment reporting

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

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

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

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

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

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		North America		Total	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Income statement												
External revenues												
Gross property income	151.9	147.3	–	–	–	–	8.7	16.7	–	–	160.6	164.0
Income from disposal of inventories	–	4.0	–	–	–	–	–	–	–	–	–	4.0
Other income	2.3	1.1	–	–	0.2	0.4	–	–	–	–	2.5	1.5
Total external revenues	154.2	152.4	–	–	0.2	0.4	8.7	16.7	–	–	163.1	169.5
Reportable segment profit/(loss) before tax	268.6	239.7	22.9	19.2	37.5	34.0	52.1	58.3	8.5	(0.2)	389.6	351.0
Share of net results of equity accounted investments												
Operating results (excluding fair value adjustments)	156.8	137.6	22.9	19.2	37.4	33.7	13.4	45.7	8.5	(0.2)	239.0	236.0
Fair value adjustments – not included in reportable segment profit/(loss)	102.5	64.5	60.7	49.7	19.1	0.4	1.5	0.2	–	–	183.8	114.8
Other material non-cash items not included in reportable segment profit/(loss) before tax												
Net gain/(loss) from fair value adjustments on investment properties	390.4	35.9	–	–	–	–	(8.6)	(12.1)	–	–	381.8	23.8
Statement of financial position	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Reportable segment assets	4,149.5	3,539.2	576.8	410.9	480.2	429.4	115.1	605.1	243.1	147.7	5,564.7	5,132.3
Included in reportable segments assets are:												
Investment properties	2,094.6	1,725.7	–	–	–	–	32.1	224.7	–	–	2,126.7	1,950.4
Investments accounted for using the equity method	1,864.4	1,690.9	575.0	409.3	469.6	420.9	14.5	331.5	243.0	147.7	3,166.5	3,000.3
Reportable segment liabilities	124.2	125.2	–	–	(0.7)	0.1	9.7	3.4	0.1	–	133.3	128.7

Results for the year continued

3. Segment reporting continued

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

	2015 \$M	2014 \$M
Revenues		
Total revenue for reportable segments	163.1	169.5
Consolidated revenues	163.1	169.5
Profit or loss		
Total profit before tax for reportable segments	389.6	351.0
Other non-cash items not included in reportable segment profit before tax	558.4	133.4
Unallocated amounts: other corporate expenses	(20.0)	(16.3)
Net finance (expense)/income – refer to note 7	(1.6)	13.3
Consolidated profit before income tax	926.4	481.4
Assets		
Assets for reportable segments	5,564.7	5,132.3
Unallocated amounts: loans to GL, GLHK and their controlled entities	3,222.2	2,698.1
Other unallocated amounts	836.2	334.1
Consolidated total assets	9,623.1	8,164.5
Liabilities		
Liabilities for reportable segments	133.3	128.7
Unallocated amounts: interest bearing liabilities	2,604.8	2,160.5
Other unallocated amounts	690.7	576.0
Consolidated total liabilities	3,428.8	2,865.2

Operating assets and liabilities

4. Property assets

(a) Types of property assets

The Consolidated Entity's investment in property assets includes both inventories and investment properties, which may be held either directly or through its investments in partnerships (both associates and JVs).

Inventories

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

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

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

Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of leasing to produce rental income and/or for capital appreciation. Investment properties are carried at fair value. The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

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.

Investment property carrying values include the costs of acquiring the properties and subsequent costs of development, including costs of all materials used in construction, costs of managing the 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.

Direct expenditure associated with leasing a property is capitalised within investment property values and amortised over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

4. Property assets continued

(a) Types of property assets continued

Stabilised investment properties

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

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

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.

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

		Consolidated	
	Note	2015 \$M	2014 \$M
Inventories			
Current	4(d)	9.0	4.2
Non-current	4(d)	125.5	98.3
		134.5	102.5
Investment properties			
Stabilised investment properties		2,052.2	1,776.9
Investment properties under development		74.5	173.5
	4(e)	2,126.7	1,950.4
Investments accounted for using the equity method			
Associates	4(f)(i)	2,495.0	2,459.3
JVs	4(f)(ii)	671.5	541.0
		3,166.5	3,000.3
Total property assets		5,427.7	5,053.2

(c) Estimates and assumptions in determining property carrying values

Inventories

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

Investment properties

Stabilised investment properties

Stabilised investment properties refer to investment properties which are not under development. The fair value of stabilised investment properties is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Approach to determination of fair value

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

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

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

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

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.

Operating assets and liabilities continued

4. Property assets continued

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

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

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

Market assessment

At 30 June 2015, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. The overall weighted average capitalisation rates for the divisional portfolios (including partnerships) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2015 %	2014 %
Australia	7.3	7.7
Hong Kong	6.0	6.0
Logistics – Continental Europe	6.9	7.5
Logistics – United Kingdom	7.6	9.0

During the current financial year, the fair values of 94% (2014: 82%) of these stabilised investment properties held directly by the Consolidated Entity (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

For partnerships, typically 100% of the stabilised investment property portfolios are valued by an independent valuer in each financial year.

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 8% to 16%.

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

(d) Inventories

	Consolidated	
	2015 \$M	2014 \$M
Current		
Development land	9.0	4.2
	9.0	4.2
Non-current		
Development land	125.5	98.3
	125.5	98.3

During the year, impairments of \$7.6 million (2014: \$3.6 million) were recognised to write down development land to net realisable value.

(e) Investment properties

Reconciliation carrying amount of directly held investment properties

	Consolidated	
	2015 \$M	2014 \$M
Carrying amount at the beginning of the year	1,950.4	2,108.8
Capital expenditure	37.2	41.9
Disposals:		
– Carrying value of properties sold	(46.8)	(13.8)
– On disposal of interests in controlled entities	(204.9)	(233.2)
Transfers to inventories	(1.6)	–
Net gain from fair value adjustments	381.8	23.8
Effect of foreign currency translation	10.6	22.9
Carrying amount at the end of the year	2,126.7	1,950.4
Analysed by segment:		
Australia and New Zealand	2,094.6	1,725.7
United Kingdom	32.1	224.7
	2,126.7	1,950.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

4. Property assets continued

(e) Investment properties continued

Other information regarding directly held investment properties

The fair value measurement approach for directly held investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see notes 1(h) and 4(a)). The majority of the Consolidated Entity's directly held investment properties are in Australia, including assets in Sydney, NSW that have been rezoned for residential mixed use. These sites have seen a significant value uplift during the year as a result of the change in zoning, with the valuations of these sites determined by reference to comparable sales data, as summarised in the table below:

Valuation technique	Significant unobservable input	2015	2014
Direct comparison	Rate per residential unit site	\$100,000 to \$300,000	n/a

For the Consolidated Entity's remaining investment properties in Australia, the valuation technique used in measuring the fair value, as well as the values assumed for the significant unobservable inputs are summarised in the table below:

Valuation technique	Significant unobservable input	2015	2014
Income capitalisation	Range of net market rents (per square metre per annum) Capitalisation rate (weighted average)	\$42 to \$300 7.30%	\$50 to \$235 7.64%

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 Group's directly held investment properties in Australia is 3.8 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	
	2015 \$M	2014 \$M
Non-cancellable operating lease commitments receivable:		
– Within one year	107.8	121.8
– One year or later and no later than five years	275.8	294.2
– Later than five years	113.3	54.1
	496.9	470.1

(f) Investments accounted for using the equity method

Investments accounted for using the equity method comprise of associates and joint ventures, which are collectively referred to by the Consolidated Entity as partnerships.

Associates

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

Joint ventures

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

Transactions eliminated on consolidation

Unrealised gains 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.

Operating assets and liabilities continued

4. Property assets continued

(f) Investments accounted for using the equity method continued

(i) Investments in associates

The Consolidated Entity's associates are set out below:

		Consolidated share of associate's net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name of associate	Country of establishment	2015 \$M	2014 \$M	2015 %	2014 %	2015 \$M	2014 \$M
Property investment							
Goodman Australia Industrial Fund (GAIF)	Australia	148.3	114.1	27.5	27.5	1,025.3	943.9
Goodman Trust Australia (GTA)	Australia	68.8	53.7	19.9	19.9	479.4	412.4
Goodman Property Trust (GMT) ¹	New Zealand	—	8.7	—	—	—	—
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	83.6	68.8	20.0	20.0	575.0	409.4
Goodman European Logistics Fund (GELF)	Luxembourg	45.8	32.3	20.4	20.4	415.3	374.6
Arlington Business Parks Partnership (ABPP) ²	United Kingdom	13.4	45.1	—	36.3	—	319.0
		359.9	322.7			2,495.0	2,459.3

1. During the prior financial year, the Consolidated Entity disposed of its entire investment in GMT to a controlled entity of GL.

2. During the current financial year, the Consolidated Entity disposed of a controlled entity that held its entire investment in ABPP to a controlled entity of GL (refer to note 17).

The reconciliation of the carrying value during the year is as follows:

	Consolidated	
	2015 \$M	2014 \$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,459.3	2,518.8
Share of net results after tax (before revaluations)	204.6	213.7
Share of fair value adjustments on investment properties	145.9	116.0
Share of fair value adjustments on derivative financial instruments	9.4	(7.0)
Share of net results	359.9	322.7
Share of movement in reserves	0.4	0.3
Transfer to investments in JVs	—	(47.8)
Acquisitions	53.2	184.7
Disposals:		
– Carrying value of investments sold	—	(419.7)
– On disposal of interests in controlled entities	(321.7)	—
Distributions received	(164.6)	(143.3)
Effect of foreign currency translation	108.5	43.6
Carrying amount at the end of the year	2,495.0	2,459.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

4. Property assets continued

(f) Investments accounted for using the equity method continued

(i) Investments in associates continued

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

	GAIF		GTA		GHKLF		GELF		ABPP ¹	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Summarised statement of financial position										
Total current assets	436.3	46.3	380.3	39.1	46.0	161.7	348.5	134.4	–	328.3
Total non-current assets	5,534.1	5,607.3	3,231.7	3,322.3	3,813.9	2,695.0	3,202.1	3,064.8	–	1,276.2
Total current liabilities	528.1	154.7	238.0	237.4	85.1	66.0	117.1	124.4	–	410.8
Total non-current liabilities	1,788.7	2,140.8	1,129.0	1,202.1	905.8	748.5	1,399.2	1,240.0	–	315.0
Net assets (100%)	3,653.6	3,358.1	2,245.0	1,921.9	2,869.0	2,042.2	2,034.3	1,834.8	–	878.7
Consolidated ownership interest	27.5%	27.5%	19.9%	19.9%	20.0%	20.0%	20.4%	20.4%	–	36.3%
Consolidated share of net assets	1,005.8	924.5	447.0	382.5	573.8	408.4	414.3	373.6	–	319.0
Capitalised costs	2.8	2.7	–	–	1.2	1.0	1.0	1.0	–	–
Distributions receivable ²	16.7	16.7	32.2	29.9	–	–	–	–	–	–
Carrying amount of investment in associate	1,025.3	943.9	479.2	412.4	575.0	409.4	415.3	374.6	–	319.0
Summarised statement of comprehensive income										
Revenue	473.6	468.6	321.8	284.6	200.0	166.6	226.0	202.0	44.9	149.5
Profit after tax and revaluations	538.7	413.9	345.3	269.5	417.8	379.2	221.1	144.0	37.0	115.9
Other comprehensive income	0.5	–	(0.4)	3.4	–	–	–	–	–	–
Total comprehensive income (100%)	539.2	413.9	344.9	272.9	417.8	379.2	221.1	144.0	37.0	115.9
Distributions received	67.0	63.8	30.1	27.1	15.6	17.9	28.6	32.6	23.3	–

1. The summarised statement of comprehensive income of ABPP is for the period from the start of the financial year to the date the Consolidated Entity disposed of its entire investment in ABPP.

2. Distributions receivable relate to distributions provided for but not paid by the associate at 30 June 2015. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.

(ii) Investments in JVs

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

Name of JV	Country of establishment	Consolidated share of net results recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2015 \$M	2014 \$M	2015 %	2014 %	2015 \$M	2014 \$M
Property investment							
KWASA Goodman Industrial Trust (KGIT)	Australia	24.5	17.1	40.0	40.0	195.1	185.0
Goodman Australia Development Fund (GADF)	Australia	17.8	8.7	20.0	20.0	73.3	59.0
Property development							
Goodman North America Partnership (GNAP)	USA	8.5	(0.2)	53.0	53.0	243.0	147.6
Other JVs		12.1	2.5			160.1	149.4
		62.9	28.1			671.5	541.0

Operating assets and liabilities continued

4. Property assets continued

(f) Investments accounted for using the equity method continued

(ii) Investments in JVs continued

The reconciliation of the carrying value during the year is as follows:

	Consolidated	
	2015 \$M	2014 \$M
Movement in carrying amounts of JVs		
Carrying amount at the beginning of the year	541.0	365.7
Share of net results after tax (before revaluations)	34.4	22.3
Share of fair value adjustments on investment properties	29.0	8.1
Share of fair value adjustments on derivative financial instruments	(0.5)	(2.3)
Share of net results	62.9	28.1
Impairment	–	(0.1)
Transfer from investments in associates	–	47.8
Acquisitions	92.2	123.7
Capital return	(0.4)	(2.5)
Distributions/dividends received	(63.4)	(20.7)
Effect of foreign currency translation	39.2	(1.0)
Carrying amount at the end of the year	671.5	541.0

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

	KGIT		GADF		GNAP	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	1.1	4.4	1.0	0.7	38.0	16.3
Other current assets	1.8	3.4	80.8	1.6	27.2	20.2
Total current assets	2.9	7.8	81.8	2.3	65.2	36.5
Total non-current assets	793.2	764.9	349.6	368.4	406.8	248.5
Current liabilities	6.1	12.3	15.5	4.5	21.6	13.1
Non-current liabilities						
Financial liabilities	298.4	297.0	61.9	82.7	0.5	–
Other non-current liabilities	4.1	1.3	–	0.2	–	0.3
Total non-current liabilities	302.5	298.3	61.9	82.9	0.5	0.3
Net assets (100%)	487.5	462.1	354.0	283.3	449.9	271.6
Consolidated ownership interest	40.0%	40.0%	20.0%	20.0%	53.0%	53.0%
Consolidated share of net assets	195.0	184.8	70.8	56.7	238.4	143.9
Capitalised costs	0.1	0.2	1.6	1.6	4.6	3.7
Distributions receivable ¹	–	–	0.9	0.7	–	–
Carrying amount of investment in JV	195.1	185.0	73.3	59.0	243.0	147.6
Summarised statement of comprehensive income						
Revenue	71.6	68.5	17.7	22.4	0.7	–
Interest income	0.1	0.1	0.1	–	–	–
Interest expense	(12.5)	(13.5)	(3.8)	(3.7)	(0.1)	–
Profit/(loss) after tax	61.2	42.7	89.0	43.5	16.0	(0.4)
Total comprehensive income (100%)	61.2	42.7	89.0	43.5	16.0	(0.4)
Distributions received	14.4	13.9	13.8	3.0	29.8	–

1. Distributions receivable relate to distributions provided for but not paid by the JV at 30 June 2015. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.

For the Consolidated Entity's other JVs not included in the table above, the total profit after tax and revaluations is \$57.8 million (2014: loss of \$3.6 million) and other comprehensive income is \$nil (2014: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

5. Receivables

Receivables comprise loans to related parties and trade and other receivables and are recognised on the date that they are originated, initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

The Consolidated Entity derecognises a receivable when the contractual rights to the cash flows from the receivable expire or it transfers the rights to receive the contractual cash flows on the receivable in a transaction in which substantially all the risks and rewards of the receivable are transferred.

Impairment

The carrying amounts of receivables is assessed at each balance date to determine whether there is any indication of impairment. If such indication exists, the receivable is written down to the present value of the estimated future cash flows discounted at the original effective interest rate. The impairment is recognised in profit or loss in the reporting period in which it occurs.

Calculation of recoverable amount

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

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

Reversals of impairment

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

	Consolidated	
	2015	2014
	\$M	\$M
Current		
Loans to related parties	3,222.2	2,698.1
Trade receivables	3.8	1.6
Other receivables	98.6	25.4
Amounts due from related parties	2.1	1.6
	3,326.7	2,726.7
Non-current		
Loans to related parties	10.9	6.8
Other receivables	1.1	32.8
	12.0	39.6

1. In relation to the comparative period, derivative financial instruments of \$103.3 million have been reclassified from receivables to other financial assets (refer to note 9). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial assets rather than receivables.

The maximum exposure to credit risk at the balance date is the fair value of each class of receivable mentioned above. There is no material difference between the carrying values and the fair values of all current and non-current receivables.

Receivables (current and non-current) denominated in currencies other than Australian dollars are as follows:

Amounts in A\$M	NZD	JPY	EUR	GBP	USD
2015	333.9	92.5	185.1	2,219.1	545.5
2014	275.9	225.9	130.7	1,650.9	528.5

Loans to related parties

The Consolidated Entity's loans to related parties principally relate to loans to GL, GLHK and their controlled entities and loans to associates and JVs. The interest rates on loans to related parties were 1.1% to 10.1% per annum (2014: 1.2% to 10.4% per annum). During the current financial year, no impairment losses were recognised in respect of loans to GL, GLHK and their controlled entities and the cumulative impairment losses on these loans remain at \$246.2 million (2014: \$246.2 million). These impairment losses were a result of the devaluation of property assets. Further details of loans to related parties are set out in note 18.

Operating assets and liabilities continued

6. Payables

Trade and other payables are recognised initially on the trade date at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

The Consolidated Entity derecognises trade and other payables when the contractual obligations are discharged or cancelled or expire.

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

	Consolidated	
	2015	2014
	\$M	\$M
Current		
Trade payables	1.0	1.7
Other payables and accruals	126.3	91.3
Rental income received in advance	2.3	1.6
Loans from related parties ¹	18.8	23.8
	148.4	118.4
Non-current		
Other payables and accruals	82.7	102.1
	82.7	102.1

1. Details of loans from related parties are set out in note 18.

2. In relation to the comparative period, derivative financial instruments of \$303.8 million have been reclassified from payables to other financial liabilities (refer to note 9). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial liabilities rather than payables.

Capital management

7. Net finance (expense)/income

Loan facilities

Income from the provision of loan facilities including establishment fees, line fees and interest income is recognised over the relevant service period on an effective yield basis.

Finance income

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

Finance costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

7. Net finance (expense)/income continued

	Consolidated	
	2015 \$M	2014 \$M
Finance income		
Interest income from:		
– Related parties	209.9	180.1
– Other parties	2.7	4.5
Fair value adjustments on derivative financial instruments ¹	53.6	–
Foreign exchange gain ²	–	14.3
	266.2	198.9
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(115.0)	(104.6)
Other borrowing costs	(14.3)	(19.8)
Fair value adjustments on derivative financial instruments ¹	–	(81.0)
Foreign exchange loss ²	(160.0)	–
Capitalised borrowing costs	21.5	19.8
	(267.8)	(185.6)
Net finance (expense)/income	(1.6)	13.3

1. These amounts include fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted.

2. Includes foreign exchange loss of \$160.0 million (2014: gain of \$14.4 million) relating to unrealised gains/(losses) on translation of the United States senior notes (refer to note 8(c)) and the Japanese yen denominated private placement (refer to note 8(d)).

8. Interest bearing liabilities

(a) Bank loans, unsecured

Interest bearing liabilities comprise of bank loans, bonds and private placements. Interest bearing liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost using the effective interest rate method.

		Consolidated	
	Note	2015 \$M	2014 \$M
Bank loans, unsecured	8(a)	227.0	155.4
Euro medium-term notes, unsecured	8(b)	509.9	453.6
United States senior notes, unsecured	8(c)	1,719.0	1,406.0
Foreign private placements, unsecured	8(d)	171.9	170.2
Borrowing costs		(23.0)	(24.7)
		2,604.8	2,160.5

Amounts drawn down
in A\$M equivalents

Facility	Facility maturity date	Facility limit – A\$M equivalent	NZD
Bank loan 1	31 Jul 2018	150.0	–
Bank loan 2	31 Jul 2018	149.4	147.6
Bank loan 3	31 Jul 2018	144.7	–
Bank loan 4	31 Jul 2018	191.7	–
Bank loan 5	31 Jul 2018	105.0	–
Bank loan 6	31 Jul 2018	43.9	35.5
Bank loan 7	31 Aug 2018	104.0	–
Bank loan 8	31 Aug 2018	43.9	43.9
Bank loan 9	31 Dec 2018	159.0	–
Bank loan 10	30 Sep 2019	37.5	–
Bank loan 11	30 Sep 2019	48.7	–
Total bank loans, unsecured	at 30 Jun 2015	1,177.8	227.0
	at 30 Jun 2014	1,296.7	155.4

Capital management continued

8. Interest bearing liabilities continued

(b) Euro medium-term notes, unsecured

As at 30 June 2015, Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$509.9 million (2014: A\$453.6 million) Euro medium-term notes. All notes were issued at a fixed coupon of 9.75% payable annually. The notes mature on 16 July 2018. The notes are listed on the Singapore Stock Exchange and the market value of the notes using the quoted price at 30 June 2015 was A\$620.3 million (2014: A\$566.2 million).

(c) United States senior notes, unsecured

As at 30 June 2015, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$421.6 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\$648.7 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\$648.7 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 2015, the Consolidated Entity had the following unsecured foreign private placements:

- + A\$39.1 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$132.8 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon of 3.32% payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

	Consolidated	
	Facilities available \$M	Facilities utilised \$M
At 30 June 2015		
Bank loans, unsecured	1,177.8	227.0
Euro medium-term notes, unsecured	509.9	509.9
United States senior notes, unsecured	1,719.0	1,719.0
Foreign private placements, unsecured	171.9	171.9
Bank guarantees ¹	–	30.1
	3,578.6	2,657.9
At 30 June 2014		
Bank loans, unsecured	1,296.7	155.4
Euro medium-term notes, unsecured	453.6	453.6
United States senior notes, unsecured	1,406.0	1,406.0
Foreign private placements, unsecured	170.2	170.2
Bank guarantees ¹	–	25.6
	3,326.5	2,210.8

1. Bank guarantees relate to the Consolidated Entity's unsecured bank facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

9. Other financial assets and liabilities

Derivative financial instruments and hedging

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

The Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly the movements in the fair value of derivative financial instruments are recognised in the income statement.

Cash flow hedges

Certain of the Consolidated Entity's investments in associates and JVs continue to designate interest rate swaps as a cash flow hedge for accounting purposes. The Consolidated Entity's share of the effective portion of changes in the fair value of derivatives in associates and JVs that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised in the income statement.

Other financial assets

	Consolidated	
	2015 \$M	2014 \$M
Current		
Derivative financial instruments	4.4	0.1
	4.4	0.1
Non-current		
Derivative financial instruments ¹	234.0	103.2
Investment in unlisted securities, at fair value	10.5	8.2
	244.5	111.4

1. Includes fair values of cross currency interest rate swaps amounting to \$176.9 million (2014: \$46.3 million) entered into to hedge the United States senior notes (refer to note 8(c)).

2. In relation to the comparative period, derivative financial instruments of \$103.3 million have been reclassified from receivables to other financial assets (refer to note 5). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial assets rather than receivables.

Other financial liabilities

	Consolidated	
	2015 \$M	2014 \$M
Current		
Derivative financial instruments	50.5	0.8
	50.5	0.8
Non-current		
Derivative financial instruments ¹	347.3	303.0
	347.3	303.0

1. Includes fair values of cross currency interest rate swaps amounting to \$64.4 million (2014: \$74.5 million) entered into to hedge the United States senior notes (refer to note 8(c)) and the Japanese yen denominated private placement (refer to note 8(d)).

2. In relation to the comparative period, derivative financial instruments of \$303.8 million have been reclassified from payables to other financial liabilities (refer to note 6). The Directors have determined that it would be more appropriate to classify the Consolidated Entity's derivative financial instruments as a component of other financial liabilities rather than payables.

Capital management continued

10. 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.

The Group Investment Committee is Goodman Group's primary forum where recommendations regarding capital allocation and financial risk management (in accordance in the FRM policy) are discussed and approved. The Group Investment Committee meets every week during the financial year.

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

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

Under the FRM policy, the Consolidated Entity's derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are, marked to market with the movement in value recognised in profit or loss.

Capital management

The Consolidated Entity's principal capital management objectives are to maintain a strong capital base and provide funds for operating activities, capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt, 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 DRP, adjusting the timing of capital expenditure and selling assets to reduce borrowings. Goodman Group also manages capital through its distribution policy in which distributions made to Securityholders are based on the greater of 60% of operating profit or taxable income of GIT.

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

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

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, Continental Europe, the United Kingdom and North America. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar as a result of the Consolidated Entity's net investment in foreign operations, future commercial transactions, and other foreign currency denominated assets and liabilities.

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

Goodman Group's capital hedge policy for each overseas region is to hedge between 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 overseas investments to form a natural economic hedge against any foreign currency fluctuations and/or using derivatives such as cross currency interest rate swaps (CCIRS) and foreign exchange contracts (FECs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Capital management continued

10. Financial risk management continued

(a) Market risk continued

As at 30 June 2015, the principal that is hedged, the weighted average exchange rates and the periods to expiry, by currency, are set out below:

Set out below:

2015			2014			
CCIRS: AUD receivable Expiry by currency	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
NZD payable	NZD'M	A\$M	NZD/AUD	NZD'M	A\$M	NZD/AUD
2 – 5 years	(100.0)	65.4	1.2252	(100.0)	79.8	1.2530
	(100.0)	65.4		(100.0)	79.8	
HKD payable	HKD'M	A\$M	HKD/AUD	HKD'M	A\$M	HKD/AUD
Less than one year	(1,050.0)	128.4	8.1868	–	–	–
1 – 2 years	–	–	–	(1,050.0)	128.4	8.1868
2 – 5 years	(1,540.0)	204.1	7.5622	(1,540.0)	204.1	7.5622
	(2,590.0)	332.5		(2,590.0)	332.5	
JPY payable	JPY'M	A\$M	JPY/AUD	JPY'M	A\$M	JPY/AUD
2 – 5 years	(11,000.0)	128.0	86.0500	(18,000.0)	207.6	86.7772
	(11,000.0)	128.0		(18,000.0)	207.6	
EUR payable	EUR'M	A\$M	EUR/AUD	EUR'M	A\$M	EUR/AUD
Less than one year	(50.0)	69.2	0.7226	–	–	–
1 – 2 years	–	–	–	(50.0)	69.2	0.7226
2 – 5 years	(420.0)	541.3	0.7765	(420.0)	541.3	0.7771
	(470.0)	610.5		(470.0)	610.5	
GBP payable	GBP'M	A\$M	GBP/AUD	GBP'M	A\$M	GBP/AUD
2 – 5 years	(170.0)	282.2	0.6035	(170.0)	282.2	0.6035
	(170.0)	282.2		(170.0)	282.2	
FECs: GBP receivable Expiry by currency	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
AUD payable	A\$M	GBP/M	AUD/GBP	A\$M	GBP'M	GBP/AUD
Less than one year	(171.1)	85.0	0.4969	–	–	–
2 – 5 years	(103.2)	50.0	0.4843	–	–	–
	(274.3)	135.0		–	–	

Capital management continued

10. Financial risk management continued

(a) Market risk continued

At 30 June 2015, the Consolidated Entity's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman Group's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, the Consolidated Entity has entered into USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

2015				2014		
CCIRS: USD receivable Expiry by currency	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
EUR payable	EUR'M	USD'M	USD/EUR	EUR'M	USD'M	USD/EUR
Over 5 years	(327.4)	455.0	0.7195	(376.7)	525.0	0.7175
	(327.4)	455.0		(376.7)	525.0	
GBP payable	GBP'M	USD'M	USD/GBP	GBP'M	USD'M	USD/GBP
Over 5 years	(132.0)	210.0	0.6286	(166.0)	265.0	0.6263
	(132.0)	210.0		(166.0)	265.0	
CCIRS: JPY receivable Expiry by currency	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
GBP payable	GBP'M	JPY'M	JPY/GBP	GBP'M	JPY'M	JPY/GBP
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	

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2014: 5%) stronger against all other currencies, with all other variables held constant, the profit attributable to Unitholders, excluding derivative mark to market and unrealised foreign exchange movements, would have decreased by A\$4.5 million (2014: A\$11.1 million decrease). If the Australian dollar had been 5% (2014: 5%) weaker against all other currencies, with all other variables held constant, the profit attributable to Unitholders, excluding derivative mark to market and unrealised foreign exchange movements, would have increased by A\$4.5 million (2014: A\$12.2 million increase).

Interest rate risk

The Consolidated Entity's interest rate risk arises from variable rate borrowings and also fixed rate to floating rate CCIRS that hedge the currency risk associated with the USD denominated notes and JPY denominated private placement. The Consolidated Entity adopts a policy of ensuring that between 60% and 100% of its current year exposure to changes in interest rates on borrowings is on a fixed rate basis. The Consolidated Entity enters into interest rate swaps (IRS) to manage cash flow risks associated with the interest rates on borrowings that are floating. The IRS contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

10. Financial risk management continued

(a) Market risk continued

At 30 June 2015, 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, 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 2015				
Fixed rate liabilities	2,361.7	(982.8)	762.8	2,141.7
Floating rate liabilities	266.1	1,164.8	(762.8)	668.1
	2,627.8	182.0	–	2,809.8
30 June 2014				
Fixed rate liabilities	1,990.6	(956.7)	1,170.3	2,204.2
Floating rate liabilities	194.6	1,119.0	(1,170.3)	143.3
	2,185.2	162.3	–	2,347.5

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

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

	2015		2014	
Number of years post balance date	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum
1 year	2,397.9	4.95	2,250.8	4.12
2 years	2,388.5	5.00	2,083.5	4.57
3 years	2,297.6	4.94	1,800.3	4.98
4 years	1,538.2	3.78	1,504.9	5.29
5 years	1,183.2	3.84	844.8	3.64

Sensitivity analysis

Based on the Consolidated Entity's net interest rate exposure at 30 June 2015, if interest rates on borrowings had been 100 basis points per annum (2014: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Unitholders for the financial year would have been A\$6.7 million lower/higher (2014: A\$1.4 million).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity to fund working capital, capital expenditure, investment opportunities, debt expiries and distributions. This is achieved through the monthly preparation of a three year cash flow forecast to understand the uses of funds and to identify potential shortfalls in funding. This allows the Consolidated Entity to plan for renewal of debt facilities, negotiation of new debt facilities, new issues of securities, including the DRP, and other potential sources of funding.

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

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

Capital management continued

10. Financial risk management continued

(b) Liquidity risk continued

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Less than 1 year \$M	1–2 years \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
As at 30 June 2015								
Non-derivative financial liabilities								
Payables	231.1	232.0	148.4	48.0	16.2	1.9	7.5	10.0
Bank loans, unsecured ¹	227.0	230.3	–	–	–	230.0	0.3	–
Euro medium-term notes, unsecured	509.9	710.8	97.7	49.9	49.9	513.3	–	–
United States senior notes, unsecured	1,719.0	2,422.8	140.6	108.6	108.6	108.6	108.9	1,847.5
Foreign private placements, unsecured	171.9	215.9	6.5	5.3	5.3	5.3	5.3	188.2
Total non-derivative financial liabilities	2,858.9	3,811.8	393.2	211.8	180.0	859.1	122.0	2,045.7
Derivative financial liabilities/(assets) – net								
Net settled ²	22.4	11.3	4.4	5.7	(1.9)	1.8	0.8	0.5
Gross settled: ³								
(Inflow)	–	(504.0)	(91.1)	(89.8)	(84.7)	(62.9)	(58.3)	(117.2)
Outflow	137.0	652.6	96.7	50.4	211.2	145.0	50.2	99.1
Total derivative financial liabilities/(assets) – net	159.4	159.9	10.0	(33.7)	124.6	83.9	(7.3)	(17.6)
As at 30 June 2014								
Non-derivative financial liabilities								
Payables	220.5	207.5	118.4	38.3	11.2	20.0	2.0	17.6
Bank loans, unsecured ¹	155.4	160.6	–	0.3	–	–	160.3	–
Euro medium-term notes, unsecured	453.6	677.1	86.8	44.5	44.4	44.4	457.0	–
United States senior notes, unsecured	1,406.0	2,073.3	114.9	89.1	88.9	88.9	88.9	1,602.6
Foreign private placements, unsecured	170.2	220.1	6.5	5.4	5.3	5.3	5.3	192.3
Total non-derivative financial liabilities	2,405.7	3,338.6	326.6	177.6	149.8	158.6	713.5	1,812.5
Derivative financial liabilities/(assets) – net								
Net settled ²	46.0	47.6	20.2	11.4	6.9	4.6	1.4	3.1
Gross settled: ³								
(Inflow)	–	(600.5)	(108.2)	(110.4)	(110.2)	(94.2)	(62.7)	(114.8)
Outflow	154.5	748.8	56.8	93.4	77.8	204.6	126.4	189.8
Total derivative financial (assets)/liabilities – net	200.5	195.9	(31.2)	(5.6)	(25.5)	115.0	65.1	78.1

1. Contractual cash flows relating to bank loans exclude any estimate of interest payments that might arise under the Consolidated Entity's revolving loan facilities.

2. Net settled relates to IRS and forward foreign currency contracts.

3. Gross settled relates to CCIRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

10. Financial risk management continued

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 5).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance.

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is only transferred upon receipt of proceeds for the sale of those assets and typically Goodman will have either received a cash deposit or be the beneficiary of a bank guarantee for 10% to 20% of the total proceeds.

From time to time, the Consolidated Entity also makes loans to partnerships. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the credit risks associated with the relevant counterparties.

(e) Fair value of financial instruments

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

Consolidated	Note	Carrying amount 2015 \$M	Fair value 2015 \$M	Carrying amount 2014 \$M	Fair value 2014 \$M
Financial assets					
Cash	13(a)	602.4	602.4	227.9	227.9
Receivables:	5				
– Loans to related parties		3,233.1	3,233.1	2,704.9	2,704.9
– Trade and other receivables		105.6	105.6	61.4	61.4
Other financial assets:	9				
– Interest rate swaps		43.0	43.0	28.6	28.6
– CCIRS		189.1	189.1	74.6	74.6
– FECs		6.3	6.3	0.1	0.1
– Investments in unlisted securities		10.5	10.5	8.2	8.2
		4,190.0	4,190.0	3,105.7	3,105.7
Financial liabilities					
Payables	6	231.1	231.1	220.5	220.5
Interest bearing liabilities ¹	8	2,604.8	2,974.8	2,160.5	2,522.1
Other financial liabilities:	9				
– Interest rate swaps		71.7	71.7	74.7	74.7
– CCIRS		326.1	326.1	229.1	229.1
		3,233.7	3,603.7	2,684.8	3,046.4

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2015 (refer to note 8).

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 (refer to note 10(d) below).

(d) Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. Under these agreements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated and a single net termination value is payable in full and final settlement.

As the Consolidated Entity does not have any current legally enforceable right to offset, the fair values associated with derivative financial instruments have been presented gross in the statement of financial position. However, if a credit event occurred, the ISDA master netting off agreement would allow A\$144.5 million (2014: A\$95.6 million) of financial assets and financial liabilities in relation to the Consolidated Entity's derivative financial instruments to be offset.

Capital management continued

10. Financial risk management continued

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method (see note 1(h)):

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2015				
Available for sale financial assets	–	–	10.5	10.5
Derivative financial assets	–	238.4	–	238.4
	–	238.4	10.5	248.9
Derivative financial liabilities	–	397.8	–	397.8
	–	397.8	–	397.8
As at 30 June 2014				
Available for sale financial assets	–	–	8.2	8.2
Derivative financial assets	–	103.3	–	103.3
	–	103.3	8.2	111.5
Derivative financial liabilities	–	303.8	–	303.8
	–	303.8	–	303.8

There were no transfers between the levels during the year.

Valuation techniques used to derive Level 2 and Level 3 fair values

The Level 2 derivative financial instruments held by the Consolidated Entity consist of interest rate swaps, cross currency interest rate swaps and foreign exchange contracts.

The fair values of derivative financial instruments are determined using generally accepted pricing models which discount estimated future cash flows based on the terms and maturity of each contract and current market interest rates and or foreign currency rates, adjusted for specific features of the instruments.

11. Provision for distributions

Distribution payable

Provisions for distributions payable are recognised in the reporting period in which the distributions are declared for the entire undistributed amount regardless of the extent to which they will be paid in cash.

Distributions declared and paid/payable by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the current financial year			
– 31 Dec 2014	11.10	193.7	20 Feb 2015
– 30 Jun 2015	11.10	194.6	26 Aug 2015
	22.20	388.3	
Distributions for the prior 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	

Movement in provision for distributions to Securityholders

	Consolidated	
	2015 \$M	2014 \$M
Balance at the beginning of the year	178.8	77.5
Provisions for distributions	388.3	356.7
Distributions paid	(283.1)	(213.2)
Distribution reinvestment plan	(89.4)	(42.2)
Balance at the end of the year	194.6	178.8

The Goodman Group DRP was active for the 30 June 2014 and 31 December 2014 distribution. As a consequence, \$89.4 million of the distribution paid during the year was issued in the form of Goodman Group stapled securities. The Goodman Group DRP is active for the 30 June 2015 distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

12. Issued capital

Ordinary units

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

	Consolidated	
	2015 \$M	2014 \$M
1,753,035,922 (2014: 1,727,685,976) fully paid units on issue	7,279.9	7,173.6
Less: Issue costs ¹	(148.5)	(148.4)
	7,131.4	7,025.2

1. Issue costs associated with the issue of units have been directly paid from the proceeds of the issues. These costs have been deducted from the issued capital in the statement of financial position, rather than charged as an expense of GIT, as they are considered to form part of the net equity raised.

Terms and conditions

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

	Units
Units on issue at 1 July 2013	1,713,233,947
Issued under the Goodman Group Long Term Incentive Plan	5,465,002
Issued under the Goodman Group Tax Exempt Plan	43,860
Issued under the Goodman Group DRP	8,943,167
Units on issue at 30 June 2014	1,727,685,976
Units on issue at 1 July 2014	1,727,685,976
Issued under the Goodman Group Long Term Incentive Plan	8,843,233
Issued under the Goodman Group Tax Exempt Plan	42,336
Issued under the Goodman Group DRP	16,464,377
Units on issue at 30 June 2015	1,753,035,922

Other items

13. 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	
	2015 \$M	2014 \$M
Cash assets	602.4	227.9

Other items continued

13. Notes to the cash flow statement continued

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

	Consolidated	
	2015 \$M	2014 \$M
Profit for the year	924.5	475.4
Items classified as investing activities		
Net gain on disposal of investment properties	(6.7)	(0.8)
Net gain on disposal of controlled entities	(32.1)	–
Net loss on disposal of equity investments	–	1.2
Non-cash items		
Net gain from fair value adjustments on investment properties	(381.8)	(23.8)
Impairment losses	7.6	4.5
Share of net results of equity accounted investments	(422.8)	(350.8)
Net finance expense/(income)	1.6	(13.3)
Income tax expense	1.9	6.0
Operating profit before changes in working capital and provisions	92.2	98.4
Changes in assets and liabilities during the year:		
– Increase in receivables	(43.8)	(23.8)
– Increase in inventories	(37.0)	(13.0)
– Decrease in other assets	4.9	9.1
– Increase in payables	1.7	1.9
– Increase in provisions	–	12.8
	18.0	85.4
Dividends/distributions received from equity accounted investments	227.9	149.8
Net finance costs paid	(102.6)	(100.0)
Net income taxes paid	(3.6)	(0.6)
Net cash provided by operating activities	139.7	134.6

(c) Non-cash transactions

Distribution reinvestment plan

In the current financial year:

- + the Goodman Group DRP was active for the August 2014 and February 2015 distribution. In relation to these distributions, \$89.4 million was in the form of stapled securities in Goodman Group; and
- + the Consolidated Entity received its distributions of \$31.7 million from GTA and GADF in the form of units in the respective fund.

In the prior financial year, the Consolidated Entity received its distributions of \$16.1 million from GTA, GMT and GADF in the form of units in the respective fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Other items continued

14. Reserves

		Consolidated	
	Note	2015 \$M	2014 \$M
Asset revaluation reserve	14(a)	170.5	(950.6)
Cash flow hedge reserve	14(b)	(5.0)	(9.7)
Foreign currency translation reserve	14(c)	21.8	(251.1)
Employee compensation reserve	14(d)	64.7	57.0
Total reserves		252.0	(1,154.4)
		2015 \$M	2014 \$M
(a) Asset revaluation reserve			
Balance at the beginning of the year		(950.6)	(1,030.9)
Increase due to revaluation of other financial assets		2.1	1.6
Transfers to accumulated losses		1,132.6	138.4
Effect of foreign currency translation		(13.6)	(59.7)
Balance at the end of the year		170.5	(950.6)
(b) Cash flow hedge reserve			
Balance at the beginning of the year		(9.7)	(12.7)
Change in value of financial instruments		0.8	0.8
Transfers to other comprehensive income		4.1	2.4
Effect of foreign currency translation		(0.2)	(0.2)
Balance at the end of the year		(5.0)	(9.7)
(c) Foreign currency translation reserve			
Balance at the beginning of the year		(251.1)	(497.0)
Net exchange differences on conversion of foreign operations		272.9	245.9
Balance at the end of the year		21.8	(251.1)
(d) Employee compensation reserve			
Balance at the beginning of the year		57.0	49.0
Equity settled share based payments transaction relating to Goodman Group		7.7	8.0
Balance at the end of the year		64.7	57.0
Total reserves		252.0	(1,154.4)

15. Accumulated losses

	Consolidated	
	2015 \$M	2014 \$M
Balance at the beginning of the year	(897.3)	(856.2)
Profit attributable to Unitholders	903.3	454.0
Transfers from asset revaluation reserve	(1,132.6)	(138.4)
Distributions declared	(388.3)	(356.7)
Balance at the end of the year	(1,514.9)	(897.3)

Other items continued

16. Non-controlling interests

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. 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.

At 30 June 2015, the movement in Goodman PLUS was as follows:

	Consolidated	
	2015 \$M	2014 \$M
Balance at the beginning of the year	325.8	331.5
Profit attributable to non-controlling interests	21.2	21.4
Distributions paid to holders of Goodman PLUS	(21.2)	(27.1)
Balance at the end of the year¹	325.8	325.8

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

The key terms of the Goodman PLUS are as follows:

- + distributions under 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;
- + the first remarketing date is 30 September 2017 and thereafter every five years. After 30 September 2017 the Goodman PLUS may be repurchased or exchanged;
- + a step-up margin of 0.25% per annum will apply if Goodman PLUS are not repurchased, exchanged or successfully remarketed on or before 30 September 2022;
- + a final step-up margin of 0.75% per annum will apply if 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.

Distributions declared during the current financial year by Goodman PLUS Trust to holders of hybrid securities were \$21.2 million (2014: \$21.4 million), or 647.9 cents per unit (2014: 655.6 cents per unit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Other items continued

17. Controlled entities

Controlled entities are entities controlled by the Trust. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Parent Entity as at 30 June 2015 and the results of all such entities for the year ended 30 June 2015.

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

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

The significant controlled entities of GIT are set out below:

Significant controlled entities	Country of incorporation/establishment
BDE Unit Trust	Australia
Carter Street Trust	Australia
GIT Investments Holding Trust No.3	Australia
Goodman Australia Finance Pty Limited	Australia
Goodman Capital Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Hong Kong Investment Trust	Australia
Goodman PLUS Trust	Australia
Goodman Treasury Trust	Australia
Goodman Ultimo Trust	Australia
Homebush Subtrust	Australia
IBC Trust	Australia
MGA Industrial Portfolio Trust	Australia
MIP Trust	Australia
MGI HK Finance	Cayman Islands
ABPP Investment Jersey Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Tarpon Properties REIT Inc	United States

Disposal of interests in controlled entities

During the year, the Consolidated Entity disposed of its entire interest in ABPP Investment Jersey Limited, which in turn, held the Consolidated Entity's entire interest in ABPP, to GL for a nominal consideration which reflects its fair value. In addition, the Consolidated Entity disposed of its entire interest in five controlled entities to a third party for a net consideration of \$225.1 million. The effect of the disposal on the statement of financial position of the Consolidated Entity is as follows:

	\$M
Total assets	527.1
Total liabilities	(334.1)
Net assets disposed, at fair value	193.0
Net consideration	225.1

In the prior year, the Consolidated Entity disposed of its entire interest in Moorabbin Airport Corporation Pty Limited to GL for a consideration of \$211.8 million.

Other items continued

18. Related party disclosures

Key management personnel disclosures

GIT does not employ personnel in its own right. However, it is required to have an incorporated responsible entity to manage its activities and the Responsible Entity is considered to be the key management personnel of the Consolidated Entity.

Transactions with Responsible Entity

In accordance with GIT's Constitution, the Responsible Entity is entitled to be reimbursed where expenses have been incurred on behalf of GIT:

	Consolidated	
	2015	2014
	\$	\$
Reimbursement of expenses	10,422,084	10,654,813

As at 30 June 2015, no amounts were owed to the Responsible Entity (2014: \$nil).

Goodman Group

Other Goodman Group entities perform a number of services for the Consolidated Entity. The fees, costs and expenses for the services performed during the year are as follows:

	Consolidated	
	2015	2014
	\$	\$
Property services fees (including property management and leasing)	3,612,329	4,060,773
Development management and project fees	3,061,128	3,023,294
Building supervisor costs reimbursed	1,035,983	1,070,273
Reimbursement of expenses	9,190,858	6,189,012
	16,900,298	14,343,352

In addition to the above, interest bearing loans exist between the Consolidated Entity and other Goodman Group entities. At 30 June 2015, interest bearing loans of \$3,456.9 million (2014: \$2,901.3 million) were receivable by the Consolidated Entity from other Goodman Group entities and \$16.6 million (2014: \$15.8 million) were payable by the Consolidated Entity to other Goodman Group entities. Loans to related Goodman Group entities bear interest at rates referenced to the Consolidated Entity's external funding arrangements.

Transactions with associates and JVs

Transactions between the Consolidated Entity and its partnerships during the year were as follows:

	Revenue from disposals of assets		Interest charged on loans	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Associates	44.0	—	—	—
JVs	—	—	0.4	0.6

Amounts due from partnerships at 30 June 2015 were as follows:

	Amounts due from related parties ¹		Loans provided by Consolidated Entity ²	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Associates	2.1	1.6	—	—
JVs	—	—	10.9	6.8

1. Amounts due from related parties were receivable within 30 days.

2. Loans provided to associates and JVs have generally been provided on an arm's length basis. At 30 June 2015, the principal loan balance related to a shareholder loan provided to GGGAIF Huntingwood East which incurred interest at 5.1% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Other items continued

19. Commitments

Investment properties

At 30 June 2015, capital expenditure commitments on the Consolidated Entity's existing investment property portfolio are \$25.6 million (2014: \$4.7 million).

Partnerships

At 30 June 2015, the Consolidated Entity had an equity commitment of \$97.6 million (2014: \$123.2 million) into GELF.

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

20. Auditors' remuneration

	Consolidated	
	2015 \$000	2014 \$000
Audit services		
Auditor of GIT:		
– Audit and review of financial reports (KPMG Australia)	477.4	395.7
– Audit and review of financial reports (overseas KPMG firms)	150.6	141.1
	628.0	536.8
Other regulatory services		
– Other regulatory services (KPMG Australia)	72.4	42.7
– Other regulatory services (overseas KPMG firms)	–	3.3
Other assurance services		
– Property advisory services (KPMG Australia)	8.9	–
Taxation services		
– Taxation compliance services (KPMG Australia)	–	2.4
– Taxation compliance services (overseas KPMG firms)	31.0	11.5
– Other taxation advice (overseas KPMG firms)	16.9	–
	129.2	59.9
Total paid/payable to KPMG	757.2	596.7
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	–	–

21. Parent Entity disclosures

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

	2015 \$M	2014 \$M
Result of the Parent Entity		
Profit for the year	12.7	293.2
Other comprehensive income	91.6	24.1
Total comprehensive income for the year	104.3	317.3
Financial position of the Parent Entity at year end		
Current assets	1,507.3	1,829.9
Total assets	4,729.2	4,877.1
Current liabilities	181.8	166.0
Total liabilities	181.8	166.0
Total equity of the Parent Entity comprising of:		
Issued capital	7,131.4	7,025.2
Reserves	(196.5)	(283.6)
Accumulated losses	(2,387.5)	(2,030.5)
Total equity	4,547.4	4,711.1

Parent Entity capital commitments

The Parent Entity has no capital commitments (2014: \$nil).

Other items continued

21. Parent Entity disclosures continued

Parent Entity contingencies

Capitalisation Deed Poll

GIT, GL, GLHK and certain of their wholly-owned controlled entities are investors under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under 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 2015, the Consolidated Entity had A\$227.0 million (2014: A\$155.4 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 8(b)), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 8(c)), Goodman Funding Pty Limited, a controlled entity of GIT, issued US\$325.0 million, US\$500.0 million and US\$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. Goodman Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

Goodman PLUS guarantee

Goodman Funds Management Limited, as responsible entity of GIT and GL and GLHK guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS (refer to note 16) under the terms of issue and subscription terms for those securities.

Stapling agreement with GL and GLHK

In accordance with the stapling agreement between GIT, GL and GLHK, on request each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

- + lending money or providing financial accommodation;
- + guaranteeing any loan or other financing facility including providing any security;
- + entering into any covenant, undertaking, restraint or negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
- + entering into any joint borrowing or joint financial accommodation and providing any guarantee, security, indemnities and undertakings in connection with the relevant joint borrowing or joint financial accommodation.

A party need not do anything under the above arrangements to the extent that the party considers that it is not in the interests of Goodman Group Securityholders as a whole, or would cause a member of the party's group to contravene or breach applicable laws or particular finance arrangements.

22 Events subsequent to balance date

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

DIRECTORS' DECLARATION

GOODMAN INDUSTRIAL TRUST AND ITS CONTROLLED ENTITIES

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

- (a) the consolidated financial statements and the notes that are set out on pages 106 to 141, 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 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors of the Responsible Entity have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

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

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



Ian Ferrier, AM
Independent Chairman
Sydney, 13 August 2015



Gregory Goodman
Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF GOODMAN INDUSTRIAL TRUST



Independent auditor's report to the unitholder of Goodman Industrial Trust

We have audited the accompanying financial report of Goodman Industrial Trust (the Trust), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated income statement and consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Goodman Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Consolidated Entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Goodman Industrial Trust is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

John Teer
Partner

Sydney, 13 August 2015

Eileen Hoggett
Partner

Sydney, 13 August 2015

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REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited (the Company) and its subsidiaries (collectively referred to as the Consolidated Entity) for the year ended 30 June 2015.

Incorporation and principal place of business

Goodman Logistics (HK) Limited was incorporated in Hong Kong on 18 January 2012 and has its principal place of business at Suite 2008, Three Pacific Place, 1 Queen's Road East, Hong Kong.

On 22 August 2012, the Company became a party to the stapling deed with Goodman Limited (GL) and Goodman Industrial Trust (GIT), and together the three entities and their subsidiaries are known as Goodman Group. Goodman Group is listed on the Australian Securities Exchange (ASX).

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, fund management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2015 and the Consolidated Entity's financial position at that date are set out in the financial report on pages 149 to 176.

No dividends were declared during the year.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 13 to the financial statements.

Directors

The directors during the year and up to the date of this report were:

Philip Yan Hok Fan
Ian Douglas Ferrier
Gregory Leith Goodman
Philip John Pearce

Business review

Goodman Group's strategy

Goodman Group's vision is to be a global leader in industrial property.

This vision is executed through five strategic pillars, which are supported by the integrated "own+develop+manage" business model. These pillars are:

- + Quality partnerships – develop and maintain strong relationships with key stakeholders including customers, capital partners, suppliers and employees;
- + Quality product and service – deliver high quality products and customer service in key logistics markets globally by actively leveraging Goodman Group's industrial sector expertise, development and management experience and global operating platform;
- + Culture and brand – promote Goodman Group's unique and recognisable brand and embed Goodman Group's core values across each operating division to foster a strong and consistent culture;
- + Operational efficiency – optimise business resources to ensure effectiveness and drive efficiencies; and
- + Capital efficiency – maintain active capital management to facilitate appropriate returns and sustainability of the business.

Performance review

The key performance indicators relate to the investment, development and management activities associated with Goodman Group's integrated business model. These income streams exist within each of Goodman Group's geographical segments, being Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas. The results of the Consolidated Entity include investment, management and development earnings in Asia and Continental Europe.

	Consolidated	
	2015 \$M	2014 \$M
Analysis of operating earnings		
Investment	24.9	17.7
Development	95.1	77.3
Management	37.4	35.5
Operating earnings before net finance expense and income tax expense ("operating EBIT")	157.4	130.5

Operating earnings comprises profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash adjustments or non-recurring items. While operating profit is not an income measure under Hong Kong Financial Reporting Standards, the Directors consider it a useful means through which to examine the underlying performance of the Consolidated Entity.

REPORT OF THE DIRECTORS

CONTINUED

Performance review continued

Investment activities

	2015 \$M	2014 \$M
Investment		
Direct	9.9	8.6
Managed partnerships	15.0	9.1
Operating EBIT	24.9	17.7
Key metrics	2015	2014
Weighted average capitalisation rate (%)	8.1	8.1
Weighted average lease expiry (years)	4.5	4.2
Occupancy (%)	97.0	99.0

Investment earnings comprise direct property income and the Consolidated Entity's share of the results of joint ventures (usually referred to by the Consolidated Entity as "managed partnerships").

Direct property income is at similar levels to the prior year. The Consolidated Entity's share of the net results of partnerships has increased from the prior year due to the full year impact of the acquisition of a 30% interest in KWASA Goodman Germany in 2014.

Development activities

	2015 \$M	2014 \$M
Development		
Net revenue	113.4	95.3
Operating EBIT	95.1	77.3
Key metrics	2015	2014
Work in progress (\$ billion)	1.1	1.1
Number of developments	33	27

Development earnings comprise development income (including development management fees) net of expenses and income from sales of properties (primarily inventories but also including disposals of special purpose entities in certain jurisdictions). The key drivers for maintaining or growing the Consolidated Entity's development earnings are maintaining both the level of development activity and development margins and the continued availability of third party capital to fund development activity.

The Consolidated Entity's development business performed strongly during the year, contributing \$95.1 million of operating EBIT, an increase of \$17.8 million compared with the prior financial year. Customer demand continues to be high for modern, well-located logistics space designed to achieve greater operating efficiencies and returns.

A key feature of this robust customer demand in Greater China and Continental Europe is the realisation of cross-border opportunities with global customers and the ability to provide recurring solutions to meet their needs.

Management activities

	2015 \$M	2014 \$M
Management		
Management income	75.1	73.6
Operating EBIT	37.4	35.5
Key metrics	2015	2014
Number of managed vehicles	7	7
External assets under management (AUM) (end of period) (\$ billion)	10.3	8.1

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

Management activities contributed \$37.4 million of EBIT, an increase of \$1.9 million compared with the prior financial year. This increase is driven by the growth in assets under management and transactional activity in Goodman Group's partnerships in Greater China and Continental Europe.

Goodman Group's managed partnerships remain well supported by global investor groups, endorsing Goodman Group's contemporary fund management approach and independent governance structures. The Consolidated Entity is prudently managing capital on behalf of investment partners to access high quality growth opportunities not typically available in the market. With development generating the highest risk adjusted returns at this point in the property cycle, the strategic focus of Goodman Group's managed partnerships is on targeted asset selection and rotation to maximise investment returns and long-term value creation.

Statement of financial position

	2015 \$M	2014 \$M
Stabilised investment properties	30.8	39.6
Cornerstone investments in managed partnerships	453.4	281.7
Development holdings	653.8	447.8
Cash	92.3	92.6
Other assets	219.4	321.9
Total assets	1,449.7	1,183.6
Loans from related parties	1,044.5	885.3
Other liabilities	91.3	121.6
Total liabilities	1,135.8	1,006.9
Non-controlling interests	10.5	8.2
Net assets attributable to Shareholders	303.4	168.5

The value of cornerstone investments in managed partnerships has increased by \$171.7 million to \$453.4 million, of which \$111.1 million is due to acquisitions and \$49.1 million is a result of movement in foreign currencies. Investment has continued in Greater China as the Consolidated Entity continues its development led investment strategy.

The Consolidated Entity has increased its development holdings with the value of development holdings expanding by \$206.0 million to \$653.8 million. This includes \$64.1 million of foreign currency exchange movements with increased development activity in both Greater China and Continental Europe.

Loans from related parties are \$1,044.5 million compared to \$885.3 million at 30 June 2014, an increase of \$159.2 million. The increase is primarily due to foreign exchange movements. The reduction in other assets is mainly due to the receipt of proceeds from the sale of development projects in the prior year.

Performance review continued

Cash flow

	2015 \$M	2014 \$M
Operating cash flows	105.5	(5.8)
Investing cash flows	(101.7)	(96.5)
Financing cash flows	(20.8)	(27.7)
Net decrease in cash held	(17.0)	(130.0)
Effect of exchange rate fluctuations on cash held	16.7	3.6
Cash at the end of the year	92.3	92.6

Operating cash flows improved relative to the prior year primarily due to the receipt of proceeds from the sale of development projects in the prior year. The proceeds from operating cash flow were used primarily to fund investment in managed partnerships and repay debt to related parties in Goodman Group.

Outlook

The rate of growth in China is beginning to slow and Continental Europe continues to experience low inflation and low interest rates. At the same time, government stimulus measures have generated significant liquidity and the demand for “yield assets” is driving capital values very strongly. Given these macro-economic conditions, it is likely there will be below average rental growth. Development activities currently provide the best risk adjusted returns for the Consolidated Entity and opportunities exist to rotate capital in order to improve the overall quality of the Consolidated Entity’s property portfolios.

Goodman Group’s capital partners continue to support the global platform and it is expected that the majority of developments will continue to be pre-sold to partnerships. The Consolidated Entity’s AUM are expected to increase, notwithstanding potential asset disposals, as a result of the continued investment in development across the managed platform and investor demand further increasing asset values.

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 report of the directors because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Risks

Goodman Group identifies operational risks for each of its divisions as part of its strategy process. The key risks, an assessment of their likelihood and consequences and controls that are in place to mitigate the risks are reported to the Goodman Group Board annually.

Goodman Group has established formal systems and processes in order that the risks are managed at each stage of its decision making process. This is facilitated by a Group Investment Committee comprising senior executives, chaired by the Group Chief Executive Officer, which considers all major operational decisions and transactions. The Group Investment Committee meets on a weekly basis.

The key risks faced by the Consolidated Entity and the controls that have been established to manage those risks are set out below:

	Risk area	Mitigation
Capital management	Availability of capital from investors and financial institutions supports the sustainability of the business	+ Prudent capital management with cash flow requirements, gearing and available liquidity reviewed monthly and reported to the Board + Diversification of debt funding sources
Economic environment	Uncertainty regarding global growth and volatility of global financial markets creates a challenging operating environment	+ Global diversification of Goodman Group’s property portfolio + Focus on core property portfolio in key locations + Focus on cost management + Prudent capital management with low gearing and significant available liquidity to allow for potential market shocks
Governance, regulation and compliance	Changes to the regulatory environments (including tax) impact Goodman Group’s business	+ Embedded compliance culture within Goodman Group focused on best practice + Dedicated compliance officers + Review of transactions by the Group Investment Committee + Independent risk and compliance committee
Development	Development volumes and returns need to be maintained to support short-term growth	+ Review of development projects by the Group Investment Committee + Ongoing monitoring and reporting of work in progress and levels of speculative development, with Board oversight
Leasing	Leasing risk exposures can reduce returns from Goodman Group’s portfolios	+ Review of significant leasing transactions and development projects by the Group Investment Committee
Fund management	Strong relationships with capital partners underpin Goodman Group’s management activities	+ Standardised governance structures for managed partnerships + Independent governance structures for managed partnerships
People	A strong executive management team supports the sustainability of the business	+ Succession planning for senior executives + Competitive remuneration structures

REPORT OF THE DIRECTORS

CONTINUED

Environmental regulations

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

Directors' interests in contracts

No contract of significance in relation to the Consolidated Entity's business to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interest in shares

At the end of the year, the directors held the following interests in the stapled securities of Goodman Group, which are listed on the ASX:

Directors	Direct securities	Indirect securities	Total
Mr Philip Yan Hok Fan	59,463	–	59,463
Mr Ian Douglas Ferrier	159,309	–	159,309
Mr Gregory Leith Goodman	–	41,476,923	41,476,923
Mr Philip John Pearce	178,803	–	178,803

In addition, Mr Gregory Leith Goodman and Mr Philip John Pearce participate in the Goodman Group Long Term Incentive Plan under which they hold performance rights. Performance rights entitle participants to receive Goodman Group stapled securities without the payment of consideration subject to Goodman Group satisfying performance criteria and the participants remaining employees of Goodman Group.

As at 30 June 2015, Mr Gregory Leith Goodman and Mr Philip John Pearce held the following performance rights:

Executive Directors	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights vested during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Mr Gregory Leith Goodman	–	995,476	–	–	995,476	20 Nov 2014	2018 – 2020
	947,368	–	–	–	947,368	22 Nov 2013	2017 – 2019
	927,152	–	–	–	927,152	16 Nov 2012	2016 – 2018
	980,000	–	(325,034)	(4,899)	650,067	25 Nov 2011	2015 – 2017
	487,180	–	(243,590)	–	243,590	1 Feb 2011	2014 – 2016
	260,000	–	(260,000)	–	–	14 May 2010	2013 – 2015
Mr Philip John Pearce	–	497,738	–	–	497,738	20 Nov 2014	2018 – 2020
	394,737	–	–	–	394,737	22 Nov 2013	2017 – 2019
	298,013	–	–	–	298,013	16 Nov 2012	2016 – 2018
	200,000	–	(66,333)	(999)	132,668	30 Sep 2011	2015 – 2017
	102,565	–	(51,283)	–	51,282	1 Feb 2011	2014 – 2016
	76,389	–	(76,389)	–	–	14 May 2010	2013 – 2015

Apart from the above, at no time during the year was the Company, its subsidiaries or any of its fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other related body corporate.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Subsequent events

In the opinion of the directors, there were no events subsequent to the reporting date, and up to the date of signature of these financial statements, which would require adjustment to or disclosure in the financial statements.

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The directors have been given declarations equivalent to those required of listed Australian companies by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2015.

By order of the board



Ian Douglas Ferrier, AM
Independent Chairman
Sydney, 13 August 2015



Philip John Pearce
Managing Director, Greater China

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

(EXPRESSED IN AUSTRALIAN DOLLARS)

	Note	2015 \$M	2014 \$M
Current assets			
Cash	14(a)	92.3	92.6
Receivables	7	163.4	271.9
Inventories	6(b)	18.4	–
Current tax receivables	4(c)	1.4	0.2
Other assets		2.5	1.6
Total current assets		278.0	366.3
Non-current assets			
Receivables	7	25.4	21.2
Inventories	6(b)	613.5	399.7
Other financial assets	10	18.3	19.6
Investment properties	6(b)	52.7	87.7
Investments accounted for using the equity method	6(b)	453.4	281.7
Deferred tax assets	4(d)	–	0.7
Plant and equipment		6.9	6.2
Other assets		1.5	0.5
Total non-current assets		1,171.7	817.3
Total assets		1,449.7	1,183.6
Current liabilities			
Payables	8	57.5	82.0
Loans from related parties	18(c)	1,044.5	885.3
Current tax payables	4(c)	6.9	16.9
Employee benefits		19.2	16.9
Provisions		–	0.5
Total current liabilities		1,128.1	1,001.6
Non-current liabilities			
Payables	8	4.9	4.0
Provisions		2.8	1.3
Total non-current liabilities		7.7	5.3
Total liabilities		1,135.8	1,006.9
Net assets		313.9	176.7
Equity attributable to Shareholders			
Issued share capital	13(a)	631.9	614.6
Reserves	15	(514.8)	(540.3)
Retained earnings	16	186.3	94.2
Total equity attributable to Shareholders		303.4	168.5
Non-controlling interests		10.5	8.2
Total equity		313.9	176.7

Approved and authorised for issue by the board of directors on 13 August 2015



Ian Douglas Ferrier, AM
Independent Chairman
Sydney, 13 August 2015



Philip John Pearce
Managing Director, Greater China

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The notes on pages 149 to 176 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015
(EXPRESSED IN AUSTRALIAN DOLLARS)

	Note	2015 \$M	2014 \$M
Revenue			
Gross property income		14.4	14.5
Management income		75.1	73.6
Development income	2	402.3	391.1
Dividends/distributions from investments		8.0	0.8
		499.8	480.0
Property and development expenses			
Property expenses		(4.5)	(5.9)
Development expenses	2	(296.9)	(296.6)
		(301.4)	(302.5)
Other income/(losses)			
Net loss from fair value adjustments on investment properties	6(e)	(18.8)	–
Net (loss)/gain on disposal of investment properties		(0.7)	0.1
Share of net results of equity accounted investments	2	25.2	19.8
		5.7	19.9
Other expenses			
Employee expenses		(47.5)	(49.0)
Share based payments expense	2	(16.8)	(13.8)
Administrative and other expenses		(22.8)	(21.1)
Impairment losses	2	(1.2)	(0.5)
		(88.3)	(84.4)
Profit before interest and income tax	2	115.8	113.0
Net finance income/(expense)			
Finance income	9	3.3	2.2
Finance expense	9	(23.8)	(25.7)
Net finance expense		(20.5)	(23.5)
Profit before income tax		95.3	89.5
Income tax expense	4	(8.2)	(4.5)
Profit for the year		87.1	85.0
Profit for the year attributable to:			
Shareholders	16	84.8	82.8
Non-controlling interests		2.3	2.2
Profit for the year		87.1	85.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Increase due to revaluation of other financial assets		6.1	4.9
Effect of foreign currency translation		23.2	(11.4)
Other comprehensive income for the year		29.3	(6.5)
Total comprehensive income for the year		116.4	78.5
Total comprehensive income for the year attributable to:			
Shareholders		114.1	76.2
Non-controlling interests		2.3	2.3
Total comprehensive income for the year		116.4	78.5

The notes on pages 149 to 176 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015
(EXPRESSED IN AUSTRALIAN DOLLARS)

Year ended 30 June 2014

	Note	Attributable to Shareholders					Non-controlling interests \$M	Total equity \$M
		Share capital \$M	Share premium \$M	Reserves \$M	Retained earnings \$M	Total \$M		
Balance at 1 July 2013		– ¹	606.1	(548.9)	24.4	81.6	5.9	87.5
Total comprehensive income for the year								
Profit for the year	16	–	–	–	82.8	82.8	2.2	85.0
Other comprehensive income for the year		–	–	(6.6)	–	(6.6)	0.1	(6.5)
Total comprehensive income for the year, net of income tax		–	–	(6.6)	82.8	76.2	2.3	78.5
Transfers		–	–	13.0	(13.0)	–	–	–
Contributions by and distributions to owners								
– Issue of shares under Goodman Group's dividend reinvestment plan (DRP)	13(a)	– ¹	5.4	–	–	5.4	–	5.4
– Issue of shares to employees of Goodman Group	13(a)	– ¹	3.1	–	–	3.1	–	3.1
– Reclassification due to abolishment of share premium on 3 March 2014		614.6	(614.6)	–	–	–	–	–
– Equity settled share based payments transactions	15(c)	–	–	2.2	–	2.2	–	2.2
Balance at 30 June 2014		614.6	–	(540.3)	94.2	168.5	8.2	176.7

1. Amounts less than \$0.1 million.

Year ended 30 June 2015

	Note	Attributable to Shareholders					Non-controlling interests \$M	Total equity \$M
		Share capital \$M	Reserves \$M	Retained earnings \$M	Total \$M			
Balance at 1 July 2014		614.6	(540.3)	94.2	168.5		8.2	176.7
Total comprehensive income for the year								
Profit for the year	16	–	–	84.8	84.8		2.3	87.1
Other comprehensive income for the year		–	29.3	–	29.3		–	29.3
Total comprehensive income for the year, net of income tax		–	29.3	84.8	114.1		2.3	116.4
Transfers		–	(7.3)	7.3	–		–	–
Contributions by and distributions to owners								
– Issue of shares under Goodman Group's DRP	13(a)	11.2	–	–	11.2		–	11.2
– Issue of shares to employees of Goodman Group	13(a)	6.1	–	–	6.1		–	6.1
– Equity settled share based payments transactions	15(c)	–	3.5	–	3.5		–	3.5
Balance at 30 June 2015		631.9	(514.8)	186.3	303.4		10.5	313.9

The notes on pages 149 to 176 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015
(EXPRESSED IN AUSTRALIAN DOLLARS)

	Note	2015 \$M	2014 \$M
Cash flows from operating activities			
Property income received		14.7	9.9
Cash receipts from development activities		658.0	546.6
Other cash receipts from services provided		76.9	71.1
Property expenses paid		(4.6)	(4.6)
Payments for development activities		(554.4)	(542.4)
Other cash payments in the course of operations		(77.2)	(83.2)
Dividends/distributions received		12.7	2.3
Interest received		0.2	0.2
Finance costs paid		—	(0.4)
Net income taxes paid		(20.8)	(5.3)
Net cash provided by/(used in) operating activities	14(b)	105.5	(5.8)
Cash flows from investing activities			
Proceeds from disposal of investment properties		3.6	0.1
Payments for investment properties		(6.2)	(0.5)
Capital return from equity investments		15.9	0.9
Payments for equity investments		(113.2)	(96.5)
Payments for plant and equipment		(1.8)	(0.5)
Net cash used in investing activities		(101.7)	(96.5)
Cash flows from financing activities			
Net payment of loans with related parties		(20.8)	(27.7)
Net cash used in financing activities		(20.8)	(27.7)
Net decrease in cash held		(17.0)	(130.0)
Cash at the beginning of the year		92.6	219.0
Effect of exchange rate fluctuations on cash held		16.7	3.6
Cash at the end of the year	14(a)	92.3	92.6

The notes on pages 149 to 176 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for investment properties and other financial assets which are stated at fair value.

As at 30 June 2015, the Consolidated Entity had net current liabilities of \$850.1 million. In accordance with the stapling agreement between the Company, Goodman Limited (GL) and Goodman Funds Management Limited as responsible entity for Goodman Industrial Trust (GIT), on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

- + lending money or providing financial accommodation;
- + guaranteeing any loan or other financing facility including providing any security;
- + entering into any covenant, undertaking, restraint, negative pledge on the obtaining of any financial accommodation or the provision of any guarantee or security in connection with any financial accommodation; and
- + entering into any joint borrowing or joint financial accommodation and providing any guarantee, security, indemnities and undertakings in connection with the relevant joint borrowing or joint financial accommodation.

A party need not do anything under the above arrangements to the extent that the party considers that it is not in the interests of Goodman Group securityholders as a whole, or would cause a member of the party's group to contravene or breach applicable laws or particular finance arrangements.

On the basis of the above, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

An investment in a controlled entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. When an entity ceases to be controlled by the Company, it is accounted for as a disposal of the entire interest in the entity, with a resulting gain or loss being recognised in the statement of comprehensive income.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

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.

Joint ventures

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

Transactions eliminated on consolidation

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

Basis of preparation continued

1. Basis of preparation continued

(c) Principles of consolidation continued

Combination of entities or businesses under common control

Where the Consolidated Entity acquires entities or businesses from other members of Goodman Group such that all of the combining entities (businesses) are ultimately controlled by Goodman Group Securityholders both before and after the combination, the Consolidated Entity applies the pooling of interests method.

At the date of the combination of entities under common control, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities that would otherwise be done under the acquisition method. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration transferred and the equity acquired by the Consolidated Entity is reflected within equity (common control reserve).

Similar to the acquisition method, the results of the acquired entity are included only from the date control commenced. Comparatives are not restated to present the consolidated financial statements as if the entities had always been combined.

(d) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars at foreign exchange rates applicable at the reporting date.

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

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

(e) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Consolidated Entity. Of these, the following developments are relevant to the Consolidated Entity's financial statements:

- + Amendment to HKAS 32, *Offsetting financial assets and financial liabilities*
- + Amendment to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- + Amendment to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- + Amendment to HKFRSs – Annual improvements to HKFRSs 2010-2012 cycle
- + Amendment to HKFRSs – Annual improvements to HKFRSs 2011-2013 cycle
- + HK (IFRIC 21), *Leases*

The adoption of the above new standards, revisions and amendments to existing standards did not have any material impact on the preparation of the consolidated financial statements.

(f) Accounting standards issued but not yet effective

Up to the date of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 30 June 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Consolidated Entity:

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018

The Consolidated Entity is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

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

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

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

- + Note 6 – Property assets; and
- + Note 11 – Financial risk management.

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

Basis of preparation continued

1. Basis of preparation continued

(g) Critical accounting estimates used in the preparation of the consolidated financial statements continued

Measurement of fair values

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

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

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

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

- + Note 6 – Property assets; and
- + Note 11 – Financial risk management.

Results for the year

2. Profit before interest and tax

Gross property income

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

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

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

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.

Development income

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

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

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

The disposal of 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 statement of comprehensive income in the period of disposal.

Disposal of investment properties

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

Employee benefits

Wages, salaries and annual leave

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

Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Results for the year continued

2. Profit before interest and tax continued

	2015 \$M	2014 \$M
Profit before interest and income tax has been arrived at after crediting/(charging) the following items:		
Income from disposal of inventories	167.3	32.0
Net gain on disposal of special purpose development entities	23.3	25.3
Other development income	211.7	333.8
Development income	402.3	391.1
Inventory cost of sales	(133.6)	(26.0)
Other development expenses	(163.3)	(270.6)
Development expenses	(296.9)	(296.6)
Share of net results of equity accounted investments	25.2	19.8
Share based payments expense	(16.8)	(13.8)
Depreciation of plant and equipment	(2.0)	(1.7)
Impairment losses on receivables	(1.2)	(0.5)
Auditor's remuneration	(0.6)	(0.6)
Salaries, wages and other benefits	(46.7)	(48.2)
Contributions to defined contribution retirement plans	(0.8)	(0.8)
Operating lease expense	(6.7)	(5.9)

3. Segment reporting

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

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

Segment results that are reported to the Goodman Group Chief Executive Officer include items that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Unallocated items include fair value adjustments and impairments, interest and tax expense, interest bearing receivables and payables, receivables from and payables to GL, GIT and their controlled entities, provision for dividends to Shareholders, corporate assets, head office expenses and income tax assets and liabilities.

The Consolidated Entity is based in Hong Kong and has separately managed divisions in Asia and Continental Europe. The activities and services undertaken by the divisions include:

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

Results for the year continued

3. Segment reporting continued

Information about reportable segments

	Asia		Continental Europe		Total	
Consolidated statement of comprehensive income	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
External revenue						
Gross property income	4.9	3.3	9.5	11.2	14.4	14.5
Management income	37.3	38.8	37.8	34.8	75.1	73.6
Development income	32.1	28.8	370.2	362.3	402.3	391.1
Distributions from investments	8.0	0.8	–	–	8.0	0.8
Total external revenue	82.3	71.7	417.5	408.3	499.8	480.0
Reportable segment profit before income tax	71.0	58.7	86.4	71.8	157.4	130.5
Other key components of financial performance included in reportable segment profit before tax						
Share of net results of equity accounted investments (before fair value adjustments)	10.1	7.0	4.9	2.1	15.0	9.1
Material non-cash items not included in reportable segment profit before income tax						
Net loss from fair value adjustments on investment properties	–	–	(18.8)	–	(18.8)	–
Share of fair value adjustments in equity accounted investments	5.6	12.2	4.6	(1.5)	10.2	10.7
Consolidated statement of financial position	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Reportable segment assets	861.6	685.6	525.4	455.3	1,387.0	1,140.9
Investments accounted for using the equity method (included in reportable segment assets)	386.1	225.9	67.3	55.8	453.4	281.7
Total non-current assets	722.8	463.8	448.9	353.5	1,171.7	817.3
Reportable segment liabilities	28.5	43.3	41.0	57.4	69.5	100.7
Reconciliation of reportable segment revenue, profit or loss, assets and liabilities					2015 \$M	2014 \$M
Revenue						
Total revenue for reportable segments					499.8	480.0
Consolidated revenue					499.8	480.0
Profit or loss						
Total profit before income tax for reportable segments					157.4	130.5
Material non-cash items not included in reportable segment profit before income tax					(9.8)	10.2
Unallocated amounts: other corporate expenses					(15.0)	(13.9)
Unallocated amounts: share based payments expense					(16.8)	(13.8)
Net finance expense – refer to note 9					(20.5)	(23.5)
Consolidated profit before income tax					95.3	89.5
Assets						
Total assets for reportable segments					1,387.0	1,140.9
Other unallocated amounts ¹					62.7	42.7
Consolidated total assets					1,449.7	1,183.6
Liabilities						
Total liabilities for reportable segments					69.5	100.7
Other unallocated amounts ¹					1,066.3	906.2
Consolidated total liabilities					1,135.8	1,006.9

1. Other unallocated amounts comprise principally receivables from and payables to GL, GIT and their controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Results for the year continued

4. Income tax expense

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(a) Taxation in the consolidated statement of comprehensive income represents:

	2015 \$M	2014 \$M
Current tax expense – Hong Kong profits tax		
Current year	(2.8)	(1.7)
Adjustment for prior periods	1.5	0.7
	(1.3)	(1.0)
Current tax expense – overseas		
Current year	(7.0)	(3.5)
Adjustment for prior periods	0.8	0.3
	(6.2)	(3.2)
Deferred tax expense		
Origination and reversal of temporary differences	–	0.2
Derecognition of previously recognised tax losses	(0.7)	(0.5)
	(0.7)	(0.3)
Total income tax expense	(8.2)	(4.5)

The provision for Hong Kong profits tax for the 2015 financial year is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates

	2015 \$M	2014 \$M
Profit before income tax	95.3	89.5
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(27.4)	(26.3)
(Increase)/decrease in income tax due to:		
– Current year losses for which no deferred tax asset was recognised	(6.7)	(6.6)
– Non-assessable income	29.2	28.7
– Non-deductible expense	(8.1)	(3.6)
– Utilisation of previously unrecognised tax losses	2.5	2.3
– Adjustment for prior periods	2.3	1.0
Income tax expense	(8.2)	(4.5)

(c) Net income tax payable

	2015 \$M	2014 \$M
Net balance at the beginning of the year	(16.7)	(17.0)
(Increase)/decrease in current net tax payable due to:		
– Net income taxes paid	20.8	5.3
– Net income tax expense on current year's profit	(9.8)	(5.2)
– Adjustment for prior periods	2.3	1.0
– Other	(2.1)	(0.8)
Net balance at the end of the year	(5.5)	(16.7)
Current tax receivables	1.4	0.2
Current tax payables	(6.9)	(16.9)
	(5.5)	(16.7)

(d) Deferred tax assets and liabilities

Deferred tax assets of \$nil (2014: \$0.7 million) arising from tax losses were recognised in the consolidated statement of financial position.

Results for the year continued

5. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$19.7 million (2014: \$13.1 million) which has been dealt with in the financial statements of the Company.

Operating assets and liabilities

6. Property assets

(a) Types of property assets

The Consolidated Entity's investment in property assets include both investment properties (held for capital appreciation and gross property income) and inventories (held for development and sale).

The Consolidated Entity holds both investment properties and inventories either directly or through its investments in managed partnerships.

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 partnerships) are set out below.

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 reporting 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.

Investment properties

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

Components of investment properties

Land and buildings (including integral plant and equipment) comprising investment properties are regarded as composite assets and are disclosed as such in the consolidated financial statements. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

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

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

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

Stabilised investment properties

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

6. Property assets continued

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

	Note	2015 \$M	2014 \$M
Directly held property:			
Inventories			
Current		18.4	–
Non-current		613.5	399.7
	6(d)	631.9	399.7
Investment properties			
Stabilised investment properties	6(e)	30.8	39.6
Investment properties under development	6(e)	21.9	48.1
		52.7	87.7
Property held by managed funds:			
Investments accounted for using the equity method			
JVs	6(f)	453.4	281.7
		453.4	281.7

(c) Estimates and assumptions in determining property carrying values

Inventories

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

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

Stabilised investment properties

Stabilised investment properties refer to investment properties which are not under development. Stabilised investment properties are carried at their fair value. Fair value is based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. The current price is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both properties held directly on the Consolidated Entity's statement of financial position and properties within partnerships managed by the Consolidated Entity.

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

External valuations are undertaken only where market segments were observed to be active. Such a determination is made based on the criteria set out below:

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

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

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

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

Operating assets and liabilities continued

6. Property assets continued

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

Market assessment

At 30 June 2015, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations. Overall weighted average capitalisation rates for the divisional portfolios (including managed partnerships) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2015 %	2014 %
China	8.5	8.4
Logistics – Continental Europe	6.8	7.2

Investment properties under development

External valuations are generally not performed for investment properties under development held directly by the Consolidated Entity, but instead valuations are determined using the feasibility studies supporting the developments. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 10.0% to 15.0%.

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

(d) Inventories

	2015 \$M	2014 \$M
Development land	631.9	399.7
	631.9	399.7

During the current and prior financial year, there were no impairments of development land.

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

	2015 \$M	2014 \$M
Carrying amount at the beginning of the year	87.7	82.5
Capital expenditure	9.4	2.8
Carrying value of properties sold	(8.9)	–
Transfers to inventories	(16.2)	–
Net loss from fair value adjustments	(18.8)	–
Effect of foreign currency translation	(0.5)	2.4
Carrying amount at the end of the year	52.7	87.7
Analysed as:		
Stabilised investment properties	30.8	39.6
Investment properties under development	21.9	48.1
	52.7	87.7

At 30 June 2015, all the Consolidated Entity's investment properties are located in Continental Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

6. Property assets continued

(e) Investment properties continued

Measurement of fair value

(i) Fair value hierarchy

Investment properties comprise stabilised investment properties and investment properties under development. The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation techniques and inputs used in Level 3 fair value measurements

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used:

	Valuation technique	Significant unobservable inputs	Weighted average 2015	Weighted average 2014
Investment properties – Continental Europe	Income capitalisation approach	Net market rent per annum Capitalisation rate	\$220/sqm 8.3%	\$250/sqm 7.7%

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

(f) Investments accounted for using the equity method

The Consolidated Entity's principal managed partnerships are set out below:

		Consolidated share of JVs result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment/ incorporation	2015 \$M	2014 \$M	2015 %	2014 %	2015 \$M	2014 \$M
Property investment JVs							
Goodman China Logistics Holdings Limited (GCLH)	Cayman Islands	15.8	19.2	20.0	20.0	329.1	179.9
KWASA Goodman Germany (KGG)	Luxembourg	9.4	2.2	30.0	30.0	64.8	50.0
Property development JVs							
Goodman Japan Development Partnership	Japan	—	—	42.5	42.5	56.9	46.0
Other JVs		—	(1.6)			2.6	5.8
		25.2	19.8			453.4	281.7

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

	2015 \$M	2014 \$M
Movements in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	281.7	6.0
Share of net results after tax (before revaluations)	15.0	9.1
Share of fair value adjustments on investment properties	10.2	10.7
Share of net results after tax	25.2	19.8
Transfer from investment in an associate	–	20.2
Reclassification of loan to GCLH ¹	–	110.6
Share of movements in reserves	0.2	–
Acquisitions	111.1	134.8
Capital return	(8.4)	–
Dividends/distributions received and receivable	(5.5)	(1.4)
Effect of foreign currency translation	49.1	(8.3)
Carrying amount at the end of the year	453.4	281.7

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

Operating assets and liabilities continued

6. Property assets continued

(f) Investments accounted for using the equity method continued

Summary financial information of JVs

The following table summarises the financial information of the material managed partnerships as included in their own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Consolidated Entity's interest in the JVs.

	GCLH		KGG		GJDP	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	276.6	92.7	15.3	8.8	18.9	12.2
Other current assets	15.0	7.5	1.8	2.4	0.9	–
Total current assets	291.6	100.2	17.1	11.2	19.8	12.2
Total non-current assets	1,815.9	1,022.2	391.8	311.3	161.0	96.5
Current liabilities						
Other current liabilities	102.1	59.1	5.5	4.2	0.3	0.4
Total current liabilities	102.1	59.1	5.5	4.2	0.3	0.4
Non-current liabilities						
Financial liabilities (excluding trade payables and other provisions)	294.2	134.5	181.8	153.9	46.7	–
Other non-current liabilities	75.0	48.9	5.7	–	–	–
Total non-current liabilities	369.2	183.4	187.5	153.9	46.7	–
Net assets (100%)	1,636.2	879.9	215.9	164.4	133.8	108.3
Consolidated ownership interest (%)	20.0	20.0	30.0	30.0	42.5	42.5
Consolidated Entity's share of net assets	327.2	176.0	64.8	49.3	56.9	46.0
Acquisition costs	1.9	3.9	–	0.7	–	–
Carrying amount of interest in JV	329.1	179.9	64.8	50.0	56.9	46.0
Summarised statement of comprehensive income						
Revenue	67.6	42.8	24.6	11.7	–	–
Interest income	0.8	0.2	–	–	–	–
Interest expense	(0.1)	(5.6)	(5.2)	(2.6)	–	–
Income tax expense	(20.7)	(4.0)	(5.2)	(0.7)	–	–
Profit and total comprehensive income (100%)	79.1	95.8	31.2	7.2	–	–
Consolidated Entity's share of profit and total comprehensive income	15.8	19.2	9.4	2.2	–	–
Dividends and distributions received by the Consolidated Entity	0.2	0.7	4.3	0.7	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Operating assets and liabilities continued

7. Receivables

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 a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Loans and receivables comprise trade and other receivables, amounts due from related parties and loans to related parties.

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.

Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except inventories, refer to note 6(d); investment properties, refer to note 6(e); and deferred tax assets, refer to note 4) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the statement of comprehensive income in the reporting period in which it occurs.

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

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

Financial assets

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

Calculation of recoverable amount

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

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

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

Reversals of impairment

An impairment loss 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 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.

	2015 \$M	2014 \$M
Current		
Trade receivables	10.5	5.7
Other receivables	47.2	53.6
Amounts due from related parties	23.2	109.1
Loans to related parties	68.5	42.7
Construction contract receivables	14.0	60.8
	163.4	271.9
Non-current		
Loans to related parties	25.4	21.2
	25.4	21.2

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

Operating assets and liabilities continued

7. Receivables continued

Trade receivables

As at 30 June 2015, trade receivables of \$nil were impaired (2014: \$0.1 million). There are no significant overdue trade receivables at 30 June 2015.

Other receivables

At 30 June 2015, none of the other receivables balance was overdue or impaired (2014: \$nil).

Amounts due from related parties

At 30 June 2015, none of the amounts due from related parties was overdue or impaired (2014: \$nil). Amounts due from related parties are typically repayable within 30 days. In the prior year, amounts due from related parties included an amount of \$94.3 million due from GCLH in relation to development activities that was only due and payable on completion of the developments. The amounts due from related parties are unsecured.

Loans to related parties

Loans to related parties principally relate to loans to fellow subsidiaries of GL and loans to JVs. Refer to note 18(c) for details of loans to related parties. During the year, an impairment loss of \$1.2 million (2014: \$0.5 million) was recognised on loans to related parties. The loans to related parties are unsecured.

8. Payables

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 a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Other financial liabilities comprise trade and other payables and loans from related parties (refer to note 18(c)).

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.

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.

	2015 \$M	2014 \$M
Current		
Trade payables	16.6	29.1
Other payables and accruals	40.9	52.9
	57.5	82.0
Non-current		
Other payables and accruals	4.9	4.0
	4.9	4.0

Capital management

9. Finance income and expense

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 expenses

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.

	2015 \$M	2014 \$M
Finance income		
Interest income on loans to:		
– Related parties	2.3	2.0
– Other parties	0.1	0.2
Foreign exchange gain	0.9	–
	3.3	2.2
Finance expense		
Interest expense on loans from related parties	(50.6)	(43.8)
Other borrowing costs	(0.4)	(0.5)
Foreign exchange loss	–	(0.4)
Capitalised borrowing costs	27.2	19.0
	(23.8)	(25.7)
Net finance expense	(20.5)	(23.5)

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 2.3% and 5.4% per annum (2014: 4.5% and 5.8% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Capital management continued

10. Other financial assets

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 other categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in the statement of comprehensive income and presented in the asset revaluation reserve in equity. When such an asset is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available for sale financial assets comprise investments in equity securities.

Impairment

Available for sale financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to its fair value.

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.

Reversals of impairment

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

	2015 \$M	2014 \$M
Available for sale equity securities		
Investment in unlisted securities, at fair value ¹	18.3	19.6
	18.3	19.6

1. Principally relates to the Consolidated Entity's 10.0% (2014: 10.0%) interest in Goodman Japan Limited. During the current financial year, a fair value gain of \$5.9 million on investment in unlisted securities was recognised in other comprehensive income (2014: \$4.9 million). Refer to note 11(d) for assumptions made in measuring fair value of the unlisted securities.

11. Financial risk management

The Consolidated Entity's capital management and financial risk management processes are managed as part of the wider Goodman Group. There are established policies, documented in Goodman Group's financial risk management (FRM) policy document, to ensure both the efficient use of capital and the appropriate management of the exposure to financial risk.

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

Goodman Group manages foreign currency exposure on a consolidated basis. In managing foreign currency risks, Goodman Group aims to reduce the impact of short-term fluctuations on earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

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

Capital management continued

11. Financial risk management continued

(a) Market risk continued

Exposure to currency risk

The following table details the Consolidated Entity's exposure at the end of the year to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Australian dollars, translated using the spot rate at the year end date.

	Note	2015				2014			
		HKD \$M	USD \$M	EUR \$M	JPY \$M	HKD \$M	USD \$M	EUR \$M	JPY \$M
Receivables	7	7.8	44.0	137.0	–	5.8	144.3	143.0	–
Cash	14(a)	13.2	62.9	6.2	10.0	18.3	65.7	6.9	1.7
Payables	8	(1.5)	(20.9)	(34.7)	–	(1.4)	(25.8)	(52.3)	–
Loans from related parties	18(c)	–	(614.8)	(455.8)	(51.0)	–	(502.9)	(405.3)	(46.7)
		19.5	(528.8)	(347.3)	(41.0)	22.7	(318.7)	(307.7)	(45.0)

Sensitivity analysis

Throughout the financial year, if the Australian dollar had been 5% (2014: 5%) stronger against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have decreased by \$5.3 million (2014: \$5.3 million). If the Australian dollar had been 5% (2014: 5%) weaker against all other currencies, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders would have increased by \$5.8 million (2014: \$5.9 million).

Interest rate risk

The Consolidated Entity's interest rate risk primarily arises from variable rate borrowings with related parties.

Sensitivity analysis

Based on the Consolidated Entity's interest bearing borrowings at 30 June 2015, if interest rates on borrowings had been 100 basis points per annum (2014: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's profit attributable to Shareholders for the financial year would have been \$9.9 million lower/higher (2014: \$8.5 million lower/higher).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, primarily through loans from related parties of Goodman Group.

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1–2 years \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
2015								
Trade and other payables	62.4	62.4	57.5	4.9	–	–	–	–
Loans from related parties	1,044.5	1,044.5	1,044.5	–	–	–	–	–
Total	1,106.9	1,106.9	1,102.0	4.9	–	–	–	–
2014								
Trade and other payables	86.0	86.0	82.0	4.0	–	–	–	–
Loans from related parties	885.3	885.3	885.3	–	–	–	–	–
Total	971.3	971.3	967.3	4.0	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

11. Financial risk management continued

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised in the consolidated statement of financial position, is the carrying amount (refer to note 7).

The Consolidated Entity has a policy of assessing the creditworthiness of all potential customers and is not materially exposed to any one customer. The Consolidated Entity evaluates all customers' perceived credit risk and may require the lodgement of rental bonds or bank guarantees, as appropriate, to reduce credit risk. In addition, all rents are payable monthly in advance.

From time to time, the Consolidated Entity also makes loans to JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

(d) Fair values of financial instruments

Except for investments in unlisted securities which are carried at fair value, the Consolidated Entity's financial instruments are carried at cost or amortised cost. The carrying amounts of the Consolidated Entity's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2015 and 2014.

(i) Valuation techniques and significant unobservable inputs

The fair value measurement for available for sale equity securities has been categorised as a Level 3 fair value. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities – Goodman Japan Limited	Discounted cash flows: The valuation model was determined by discounting the future cash flows generated from continuing operations. The future cash flows were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and an appropriate discount rate.	+ Assets under management of \$2.3 billion in year five + Average annual development of 149,000 sqm + Five year terminal value growth rate of 1.3% + Risk adjusted discount rate of 8.0% per annum	The estimated fair value would increase/(decrease) if: + the level of development activity, assets under management and terminal value growth rate were higher/(lower) + the risk-adjusted discount rate were lower/(higher)

(ii) Reconciliation of Level 3 fair values

	Consolidated	
	2015 \$M	2014 \$M
Carrying amount at the beginning of the year	19.6	16.1
Acquisitions	–	0.1
Capital return	(7.2)	(0.9)
Gain included in other comprehensive income		
– Net change in fair value	5.9	4.9
Effect of foreign currency translation	–	(0.6)
Carrying amount at the end of the year	18.3	19.6

12. Dividends

Provisions for dividends payable are recognised in the reporting period in which the dividends are declared. No dividends were declared or paid to equity shareholders of the Company during the year (2014: \$nil).

Capital management continued

13. Share capital

(a) 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.

	2015 Number of shares	2014 Number of shares	2015 \$M	2014 \$M
Share capital	1,753,035,922	1,727,685,976	632.5	615.2
Accumulated issue costs			(0.6)	(0.6)
Total issued capital			631.9	614.6

Details	Number of shares	Share capital \$M
Ordinary shares, issued and fully paid		
1 July 2013	1,713,233,947	— ¹
Shares issued under Goodman Group's DRP	8,943,167	— ¹
Shares issued to employees of Goodman Group ²	5,508,862	— ¹
30 June 2014	1,727,685,976	615.2
Shares issued under Goodman Group's DRP	16,464,377	11.2
Shares issued to employees of Goodman Group ²	8,885,569	6.1
30 June 2015	1,753,035,922	632.5

1. Amounts less than \$0.1 million.

2. During the year, the Company issued 8,885,569 (2014: 5,508,862) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan (LTIP) and Goodman Group Tax Exempt Plan.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Equity settled share based payments transactions

Share based payments transactions

The fair value of rights and options over stapled securities, granted to employees of the Consolidated Entity by Goodman Group, at the grant date is recognised as a share based payments expense in the results of the Consolidated Entity with a corresponding increase in equity. 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 fair values of rights and options are measured at the grant date using a combination of Monte Carlo simulations and Black Scholes pricing models.

Goodman Group provides equity based remuneration through the issue of shares under the LTIP. Details of the LTIP are set out below.

LTIP

The LTIP, which provides for the issue of performance rights, was first approved at the 2009 Annual General Meeting of Goodman Group and subsequently at the 2012 Annual General Meeting. Each performance right issued under the LTIP entitles an employee to acquire a Goodman Group stapled security for nil consideration subject to the vesting conditions having been satisfied. The LTIP also provides for the issue of options, though this has not been utilised to date. If options were to be issued, each option would entitle an employee to acquire a Goodman Group stapled security on payment of the exercise price for the option subject to the vesting conditions having been satisfied.

Under the terms of the LTIP and decisions made by the directors of Goodman Group in accordance with the plan, the issues of performance rights on 9 October 2014 and 20 November 2014 to employees and directors respectively were subject to the following broad terms:

- + the exercise of 25% of the total performance rights will be conditional on Goodman Group achieving a total securityholder return (TSR) in excess of that achieved by 50% of listed entities in the S&P/ASX 100 index and the exercise of 75% of the total performance rights will be conditional on Goodman Group achieving an operating earnings per share (EPS) outcome at least at the target level notified to the market over a three year 'testing period' which ends on 30 June 2017 and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that Goodman Group achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent Goodman Group exceeds the 51st percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76th percentile under the grants made pursuant to the rules and disclosed to the market;
- + performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances); and
- + performance rights issued during the year vest in three equal tranches on 1 September 2017, 3 September 2018 and 2 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Capital management continued

13. Share capital continued

(b) Equity settled share based payments transactions continued

Share based payments expense included in profit or loss was as follows:

	2015 \$M	2014 \$M
Share based payments expense:		
– Equity settled	13.4	10.2
– Cash settled	3.4	3.6
	16.8	13.8

At 30 June 2015, a liability of \$4.7 million (2014: \$3.8 million) was recognised in relation to cash settled performance rights.

The movement in the number of equity settled and cash settled Goodman Group performance rights is as follows:

	Number of rights	
	2015	2014
Outstanding at the beginning of the year	9,991,690	7,238,216
Issued	4,079,127	5,081,549
Vested	(1,844,081)	(1,247,503)
Forfeited	(393,265)	(1,080,572)
Outstanding at the end of the year	11,833,471	9,991,690
Exercisable at the end of the year	–	–

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

	Rights issued on 20 Nov 2014	Rights issued on 9 Oct 2014
Fair value at measurement date (\$)	4.01	4.05
Security price (\$)	5.45	5.50
Exercise price (\$)	–	–
Expected volatility (%)	21.1	21.1
Rights expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	5.52	5.34
Average risk free rate of interest per annum (%)	3.0	3.1

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

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

Other items

14. Notes to the consolidated cash flow statement

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

(a) Reconciliation of cash

Cash as at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated statement of financial position as follows:

	2015 \$M	2014 \$M
Cash assets	92.3	92.6
(b) Reconciliation of profit for the year to net cash provided by/(used in) operating activities		
	2015 \$M	2014 \$M
Profit for the year	87.1	85.0
Items classified as investing/financing activities		
Net loss/(gain) on disposal of investment properties	0.7	(0.1)
Non-cash items		
Depreciation of plant and equipment	2.0	1.7
Share based payments expense	16.8	13.8
Net loss from fair value adjustments on investment properties	18.8	–
Impairment losses	1.2	0.5
Share of net results of equity accounted investments	(25.2)	(19.8)
Net finance expense	20.5	23.5
Income tax expense	8.2	4.5
Operating profit before changes in working capital and provisions	130.1	109.1
Changes in assets and liabilities during the year:		
– Decrease/(increase) in receivables	224.4	(20.0)
– Increase in inventories	(205.2)	(132.6)
– (Increase)/decrease in other assets	(9.4)	36.9
– Decrease in payables	(19.3)	(2.1)
– Increase in provisions (including employee benefits)	0.8	6.8
	121.4	(1.9)
Dividends/distributions received from investments	4.7	1.6
Net finance costs received/(paid)	0.2	(0.2)
Net income taxes paid	(20.8)	(5.3)
Net cash provided by/(used in) operating activities	105.5	(5.8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Other items continued

15. Reserves

	Note	Consolidated		Company	
		2015 \$M	2014 \$M	2015 \$M	2014 \$M
Asset revaluation reserve	15(a)	6.2	7.4	10.8	4.9
Foreign currency translation reserve	15(b)	10.4	(12.8)	–	–
Employee compensation reserve	15(c)	6.7	3.2	6.7	3.2
Common control reserve	15(d)	(538.1)	(538.1)	–	–
Total reserves		(514.8)	(540.3)	17.5	8.1

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

	Consolidated		Company	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M
(a) Asset revaluation reserve				
Balance at the beginning of the year	7.4	(10.5)	4.9	–
Increase due to revaluation of other financial assets	6.1	4.9	5.9	4.9
Transfers (to)/from retained earnings	(7.3)	13.0	–	–
Balance at the end of the year	6.2	7.4	10.8	4.9

Refer to note 6(a) for the accounting policy relating to this reserve.

(b) Foreign currency translation reserve				
Balance at the beginning of the year	(12.8)	(1.3)	–	–
Net exchange differences on conversion of foreign operations	23.2	(11.5)	–	–
Balance at the end of the year	10.4	(12.8)	–	–

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

(c) Employee compensation reserve				
Balance at the beginning of the year	3.2	1.0	3.2	1.0
Equity settled share based payments transactions	3.5	2.2	3.5	2.2
Balance at the end of the year	6.7	3.2	6.7	3.2

Refer to note 13(b) for the accounting policy relating to this reserve.

(d) Common control reserve				
Balance at the beginning of the year	(538.1)	(538.1)	–	–
Balance at the end of the year	(538.1)	(538.1)	–	–

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

16. Retained earnings

	Consolidated		Company	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Balance at the beginning of the year	94.2	24.4	24.5	11.4
Profit for the year	84.8	82.8	19.7	13.1
Transfers from/(to) asset revaluation reserve	7.3	(13.0)	–	–
Balance at the end of the year	186.3	94.2	44.2	24.5

Other items continued

17. Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Consolidated Entity. The class of shares held is ordinary unless otherwise stated.

Significant controlled companies	Principal activities	Country of incorporation	Interest held	
			2015 %	2014 %
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	100.0
Goodman Asia Limited	Fund and property management services	Hong Kong	100.0	100.0
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	100.0
Goodman China Asset Management Limited	Fund management	Cayman Islands	100.0	100.0
GELF Management (Lux) Sàrl	Fund management	Luxembourg	100.0	100.0
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	100.0
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	100.0
Goodman Midnight Logistics (Lux) Sàrl	Investment holding company	Luxembourg	100.0	100.0
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	Luxembourg	94.0	94.0

18. Related party transactions

Related parties

- (i) A person, or a close member of that person's family, is related to the Company if that person:
- (1) has control or joint control over the Company;
 - (2) has significant influence over the Company; or
 - (3) is a member of the key management personnel of the Company or the Company's parent.
- (ii) An entity is related to the Company if any of the following conditions applies:
- (1) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (2) one entity is an associate or JV of the other entity (or an associate or JV of a member of a group of which the other entity is a member);
 - (3) both entities are JVs of the same third party;
 - (4) one entity is a JV of a third entity and the other entity is an associate of the third entity;
 - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (6) the entity is controlled or jointly controlled by a person identified in (i); or
 - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2015 \$M	2014 \$M
Directors' fees	0.8	0.8
Salaries, allowances and benefits in kind	2.1	2.0
Discretionary bonuses	3.5	3.8
Retirement scheme contribution	—	—
Share based payments	4.4	3.5
	10.8	10.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Other items continued

18. Related party transactions continued

(b) Transactions and amounts due from related parties

	Management services and development activities		Amounts due from related parties	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M
JVs				
GCLH	43.7	46.4	–	94.3
KGG	6.6	107.2	–	0.7
	50.3	153.6	–	95.0
Related parties of GL and GIT				
Goodman Hong Kong Logistics Fund	25.7	20.5	6.1	4.5
Goodman Trust Australia	2.3	2.0	–	0.3
Goodman European Logistics Fund	336.6	150.4	17.1	8.4
Goodman Princeton Holdings (Lux) Sàrl	2.2	84.8	–	0.5
Other related parties	(0.8)	1.4	–	0.4
	366.0	259.1	23.2	14.1

(c) Financing arrangements with related parties

	Loans to related parties ¹		Loans from related parties ¹		Interest income/(expense) charged on loans to/from related parties	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
JVs						
Üllö One 2008 Kft	4.1	4.3	–	–	0.2	0.3
Üllö Two 2008 Kft	2.1	2.1	–	–	0.1	0.1
Other JVs	19.2	4.0	–	–	0.3	0.2
	25.4	10.4	–	–	0.6	0.6
GL, GIT and their controlled entities	62.7	42.7	(1,044.5)	(885.3)	(50.6)	(43.8)
Related parties of GL and GIT						
Goodman European Logistics Fund	5.8	9.6	–	–	1.7	1.4
Other related parties	–	1.2	–	–	–	–
Related parties of GL and GIT	5.8	10.8	–	–	1.7	1.4

1. Loans by the Consolidated Entity to/from JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2015, details in respect of the principal loan balances are set out below:

- + a shareholder loan of \$5.8 million (2014: \$9.6 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Logistics Fund, and incurred interest at 6.9% per annum;
- + loans from GL, GIT and their controlled entities amounting to \$1,044.5 million (2014: \$885.3 million) are repayable on demand. Of this amount, \$1,035.2 million (2014: \$877.2 million) is interest bearing and \$9.3 million (2014: \$8.1 million) is non-interest bearing. The interest bearing loans incur interest at rates ranging from 2.1% to 5.4% (2014: 2.9% to 7.5%) per annum; and
- + loans to GIT and its subsidiaries amounting to \$62.7 million (2014: \$42.7 million) are repayable on demand. Of this amount, \$43.9 million (2014: \$26.9 million) is interest bearing and \$18.8 million (2014: \$15.8 million) is non-interest bearing. The interest bearing loan incurs interest at rates ranging from 2.3% to 3.3% (2014: 2.9% to 3.5%) per annum.

Other items continued

19. Commitments

	2015 \$M	2014 \$M
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	9.1	8.7
– One year or later and no later than five years	9.4	12.9
– Later than five years	0.6	2.0
	19.1	23.6

At 30 June 2015, the Consolidated Entity was also committed to \$212.9 million (2014: \$162.5 million) expenditure in respect of inventories and other development activities.

Non-cancellable operating lease receivable from investment property customers

	2015 \$M	2014 \$M
Non-cancellable operating lease commitments receivable:		
– Within one year	4.8	6.4
– One year or later and no later than five years	6.1	3.3
– Later than five years	2.1	–
	13.0	9.7

20. Contingencies

Capitalisation Deed Poll

GLHK, GL, GIT and certain of their wholly-owned controlled entities are investors under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan to, or proceeds for the subscription of equity in, the borrower by the investor.

Euro medium-term note programme

Under the Euro medium-term note programme, Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, and GLHK and GL 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, Goodman Funding Pty Limited, a controlled entity of GIT, issued US\$325.0 million, US\$500.0 million and US\$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. Goodman Funds Management Limited, as responsible entity of GIT, and GLHK and 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 hybrid securities guarantee

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 Funds Management Limited, as responsible entity of GIT and GLHK and GL guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS under the terms of issue and subscription terms for those securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Other items continued

21. Company level statement of financial position

	Note	2015 \$M	2014 \$M
Current assets			
Cash		13.6	1.9
Receivables		46.1	26.1
Total current assets		59.7	28.0
Non-current assets			
Other financial assets		73.7	65.7
Investments in subsidiaries		589.0	579.7
Total non-current assets		662.7	645.4
Total assets		722.4	673.4
Current liabilities			
Payables		28.8	26.2
Total current liabilities		28.8	26.2
Total non-current liabilities		–	–
Total liabilities		28.8	26.2
Net assets		693.6	647.2
Equity attributable to Shareholders			
Issued share capital		631.9	614.6
Reserves	15	17.5	8.1
Retained earnings	16	44.2	24.5
Total equity attributable to Shareholders		693.6	647.2

The company level statement of financial position was approved and authorised for issue by the board of directors on 13 August 2015.



Ian Douglas Ferrier, AM
Independent Chairman
Sydney, 13 August 2015



Philip John Pearce
Managing Director, Greater China

)
)
) Directors
)
)

22. Subsequent events

In the opinion of the directors, there were no events subsequent to the reporting date, and up to the date of signature of these consolidated financial statements, which would require adjustment to or disclosure in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOODMAN LOGISTICS (HK) LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)



We have audited the consolidated financial statements of Goodman Logistics (HK) Limited (the Company) and its subsidiaries (together the Group) set out on pages 149 to 176, which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

13 August 2015

SECURITIES INFORMATION

Top 20 Securityholders As at 31 August 2015	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	561,432,595	31.72
2. J P Morgan Nominees Australia Limited	518,472,715	29.29
3. National Nominees Limited	222,983,516	12.60
4. Citicorp Nominees Pty Limited	146,529,619	8.28
5. BNP Paribas Noms Pty Ltd <DRP>	62,254,651	3.52
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	33,337,940	1.88
7. AMP Life Limited	27,252,526	1.54
8. Trison Investments Pty Ltd	24,553,846	1.38
9. Beeside Pty Limited	16,923,077	0.96
10. CPU Share Plans Pty Ltd <GMG LTI Unallocated A/C>	9,824,337	0.56
11. Bond Street Custodians Limited <ENH Property Securities A/C>	4,289,593	0.24
12. RBC Investor Services Australia Nominees Pty Limited <PISelect>	3,862,087	0.22
13. RBC Investor Services Australia Nominees Pty Limited <APN A/C>	3,814,717	0.22
14. HSBC Custody Nominees (Australia) Limited	3,135,503	0.18
15. National Nominees Limited <DB A/C>	3,026,828	0.17
16. UBS Nominees Pty Ltd	2,737,199	0.15
17. BNP Paribas Noms (NZ) Ltd <DRP>	2,626,428	0.15
18. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,593,935	0.15
19. Questor Financial Services Limited <TPS RF A/C>	2,360,181	0.13
20. HSBC Custody Nominees (Australia) Limited – A/C 2	2,168,306	0.12
Securities held by top 20 Securityholders	1,654,179,599	93.46
Balance of securities held	115,877,003	6.54
Total issued securities	1,770,056,602	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	6,123	3,008,137	0.17
1,001 – 5,000	9,514	23,967,419	1.35
5,001 – 10,000	2,708	19,354,240	1.09
10,001 – 100,000	1,749	37,186,293	2.10
100,001 – over	108	1,686,540,513	95.28
Rounding			0.01
Total	20,202	1,770,056,602	100.00

There were 647 Securityholders with less than a marketable parcel in relation to 9,038 securities as at 31 August 2015.

Substantial Securityholders¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
State Street	106,113,676
BlackRock, Inc.	103,955,559
Vanguard Group	102,759,342
AMP Limited	87,927,845

1. In accordance with latest Substantial Securityholder Notices as at 31 August 2015.

Goodman Logistics (HK) Limited CHESS Depository Interests

ASX reserves the right (but without limiting its absolute discretion) to remove Goodman Logistics (HK) Limited, Goodman Limited and Goodman Industrial Trust from the official list of the ASX if a CHESS Depository Interest (CDI) referencing an ordinary share in Goodman Logistics (HK) Limited, a share in Goodman Limited or a unit in Goodman Industrial Trust cease to be stapled, or any new securities are issued by Goodman Logistics (HK) Limited, Goodman Limited or Goodman Industrial Trust and are not (or CDIs in respect of them are not) stapled to equivalent securities in the Goodman Group.

Voting rights

On a show of hands at a general meeting of Goodman Limited or Goodman Industrial Trust, every person present who is an eligible Securityholder shall have one vote and on a poll, every person present who is an eligible Securityholder shall have one vote for each Goodman Limited share and one vote for each dollar value of Goodman Industrial Trust units that the eligible Securityholder holds or represents (as the case may be). At a general meeting of Goodman Logistics (HK) Limited, all resolutions will be determined by poll, and eligible Securityholders will be able to direct Chess Depository Nominees Pty Limited to cast one vote for each Chess Depository Instrument (referencing a Goodman Logistics (HK) Limited share) that the eligible Securityholder holds or represents (as the case may be).

On-market buy-back

There is no current on-market buy-back.

GLOSSARY

AASB Australian Accounting Standards Board.

ABPP Arlington Business Parks Partnership, an unlisted property fund specialising in the investment of business parks in the United Kingdom.

ASX Australian Securities Exchange, or ASX Limited (ABN 98 008 624 691) or the financial market which it operates as the case requires.

AUM Assets under management: total value of properties directly held or under management.

CPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

DPS Distribution per security. Total distributions to investors divided by the number of securities outstanding.

EBIT Operating profit before net finance expense and income tax.

EPS Earnings per security.

GADF Goodman Australia Development Fund.

GAIF Goodman Australia Industrial Trust No 1 (ARSN 088 750 627); Goodman Australia Industrial Trust No 2 (ARSN 116 208 612); and Goodman Australia Industrial Trust No 3 (ARSN 130 854 938) stapled to form Goodman Australia Industrial Fund.

GCLH Goodman China Logistics Holding, an unlisted property fund specialising in the investment of industrial property in China.

GELF Goodman European Logistics Fund, an unlisted property fund specialising in the investment of industrial property in Continental Europe.

GFM Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621).

GHKLF Goodman Hong Kong Logistics Fund, an unlisted property fund specialising in the investment of industrial property in Hong Kong.

GIT Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities or GFM as Responsible Entity for GIT, where the context requires.

GJCF Goodman Japan Core Fund, an unlisted property fund specialising in the investment of industrial property in Japan.

GJDP Goodman Japan Development Partnership, a logistics and industrial partnership between Goodman and Abu Dhabi Investment Council.

GL Goodman Limited (ABN 69 000 123 071) and its controlled entities, where the context requires.

GLHK Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149) and its controlled entities, where the context requires.

GMP Goodman PLUS.

GMT Goodman Property Trust, a listed property trust on the NZX managed by GMG.

GNAP Goodman North America Partnership, a logistics and industrial partnership between Goodman and Canada Pension Plan Investment Board.

Goodman Group or GMG Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

GTA Goodman Trust Australia.

GTEP Goodman Tax Exempt Plan.

KGG KWA-SA-Goodman Germany, an unlisted property trust specialising in the investment of industrial property in Germany.

KGIT KWA-SA-Goodman Industrial Trust, an unlisted property trust specialising in the investment of industrial property.

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of total assets less liabilities. For this purpose, liabilities include both current and long-term liabilities. To calculate the net asset value per ordinary security, divide the net asset value by the number of securities on issue.

NZX New Zealand Exchange Limited or New Zealand Exchange being the equity security market operated by it, as the case requires.

Responsible Entity Responsible Entity means a public company that holds an Australian Financial Services Licence ("AFSL") authorising it to operate a managed investment scheme. In respect of GIT, the Responsible Entity is GFM, a wholly-owned subsidiary of GL.

S&P Standard & Poor's: an independent rating agency that provides evaluation of securities investments and credit risk.

Securityholder A holder of a Stapled Security.

Shareholder A shareholder of GL and/or GLHK.

Sqm Square metres.

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share and a GLHK share so that one may not be transferred or otherwise dealt with without the other and which are quoted on the ASX jointly as a "stapled security".

Stapled Security A GIT unit, a GL share and a GLHK share which are stapled so that they can only be traded together.

STI Short term incentive.

Substantial Securityholder A person or company that holds at least 5% of Goodman Group's voting rights.

TSR Total securityholder return.

Unitholder A unitholder of GIT.

Goodman Group

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839

Responsible Entity
Goodman Funds Management Limited
ABN 48 067 796 641; AFSL Number 223621

Goodman Logistics (HK) Limited
Company No. 1700359; ARBN 155 911 149

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Auckland	Guangzhou	Poznan
Barcelona	Hamburg	Prague
Beijing	Hong Kong	Reading
Birmingham	London	São Paulo
Brisbane	Los Angeles	Shanghai
Brussels	Luxembourg	Sydney
Budapest	Madrid	Tokyo
Chengdu	Melbourne	Warsaw
Christchurch	Osaka	

Directors

Mr Ian Ferrier, AM	(Independent Chairman)
Mr Gregory Goodman	(Executive Director)
Mr Philip Fan	(Independent Director)
Mr John Harkness	(Independent Director)
Ms Anne Keating	(Independent Director)
Ms Rebecca McGrath	(Independent Director)
Mr Philip Pearce	(Executive Director)
Mr Danny Peeters	(Executive Director)
Mr Phillip Pryke	(Independent Director)
Mr Anthony Rozic	(Executive Director)
Mr James Sloman, OAM	(Independent Director)

Company Secretary

Mr Carl Bicego

Security Registrar

Computershare Investor Services Pty Limited

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Facsimile +61 8 8236 2305
Email www.investorcentre.com/contact
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Custodians

The Trust Company Limited

Level 12
123 Pitt Street
Sydney NSW 2000

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

ASX code

GMG

Disclaimer

This Annual Report has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company No. 1700359; ARBN 155 911 149). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate. This Annual Report is not an offer or invitation for subscription or purchase of securities or other financial products. It does not constitute an offer of securities in the United States. Securities may not be offered or sold in the United States unless they are registered under the US Securities Act of 1933 or an exemption from registration is available. This Annual Report contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention have been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Goodman Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. All values are expressed in Australian currency unless otherwise stated. September 2015.



MAKING THINGS HAPPEN

