Goodman Group
Annual Report 2012
Global partner + Global platform

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Chairman's letter

2012 has been another successful year for Goodman with our strategic focus remaining on the prudent allocation of resources, both financial and human, to drive earnings growth and build long-term value for our stakeholders. We continue to gain market share across our operations by identifying unique opportunities, focusing on delivering high standards of service and consistently high quality product for our customers and investors.

Goodman delivered a strong financial result with the financial highlights including:

+ an operating profit after tax of $463 million, a 21% increase on 2011;
+ a statutory profit attributable to Securityholders of $408 million, a 4.2% increase on 2011;
+ fully diluted operating earnings per security of 30.5 cents, an 8% increase on 2011;
+ distribution per security of 18.0 cents, up 3% on 2011;
+ a strong financial position with balance sheet gearing maintained at 23.9% and interest cover increasing to 5.5 times; and
+ available liquidity of $1.3 billion with a weighted average debt maturity of 5.9 years.

The strong competitive position we have built globally and the new relationships created combined with established relationships have allowed Goodman to expand using an optimal mix of its own resources and those of our partners. A recent example is the establishment of our new global partnership, initially in Australia, with Employees Provident Fund (EPF) of Malaysia, securing a combined initial equity commitment of $500 million to invest in high quality, stabilised logistics assets.

Our entry into the US, the world's largest logistics market is another example, which enabled us to further extend our relationship with the Canada Pension Plan Investment Board (CPPIB) to launch a new logistics and industrial partnership called the Goodman North America Partnership. Goodman and CPPIB have targeted an initial equity amount of US$890 million on a 55/45 basis. This capital partnership is in conjunction with the agreement between Goodman and California based Birtcher Development & Investments (Birtcher) for the development of, and investment in, prime quality logistics and industrial facilities in key locations across North America. A highly experienced team, combining Birtcher's local market expertise with Goodman's fund management capability, has been deployed to establish the Group's North American operations. To date, four sites have been secured; two in the Los Angeles area, one in the San Francisco Bay area and one in Philadelphia, with in excess of 900,000 sqm of gross lettable area and a completion value of more than US$700 million.

We have also prudently increased our allocation of resources to fund our expansion into China. We entered this market in 2005 and the significant growth that we are now benefiting from comes only after a number of years of understanding and investing in the local market, developing long-term relationships with capital partners, customers and government bodies, combined with building a capable and experienced local management team.

During the year, we reached a number of significant milestones. We have grown to become one of the largest industrial developers in China and with over 4 million sqm of land available we have the development capability to commence 800,000 sqm of developments in the next 12 months. We have now completed our first development in Beijing, 100% pre-leased to customers including Nippon Express and DB Schenker, with whom we have strong relationships globally. In May, the Group also expanded into Tianjin, a strategic location being a major port city and the gateway for the Bohai Bay region, with the signing of its first built-to-suit facility at Wuqing for major online ladies fashion and accessory retailer, Moonbasa.

We have achieved these results through an efficient mix of our capital partners' resources and those of the Group. In late August, Goodman and CPPIB announced their increased equity commitment to Goodman China Logistics Holdings to US$1 billion. This partnership was formed in 2009 on an 80/20 basis and the further commitment is a reflection of the strong development activity being driven by the demand for high quality logistics product and the strength of the relationship. Goodman now has a strong local team of 315 in Greater China to ensure that the Group's high quality product and customer service standards are met. They have also leveraged the Group's global customer relationships to add Kuehne + Nagel, DHL and CEVA Logistics to their local portfolio.

Despite the significant expansion of our global platform and growth that the Group experienced in 2012, we continue to take a long-term strategic view, consistent with our own+develop+manage business model. Our entry into the US followed a number of years of due diligence and research to find the right opportunity and time to enter the world's largest logistics market. Likewise, we recently announced that we are currently undertaking due diligence in Brazil, one of the world's largest emerging markets, to partner with a local company for its knowledge and network. Entry into new markets and realisation of profits take time and our strategy is to expand prudently, allowing the Group to capitalise on its unique opportunities.

This growth in the Group's international operations has provided not only diversity of earnings but also access to a broad range of opportunities. Despite flat market conditions globally, Goodman has selectively participated in a number of opportunities across the logistics sector. While many European markets have been weak, Goodman's operations are focused on the more stable markets where development activity has remained strong, particularly in Germany, France and Benelux. Demand for our product continues to be robust, driven largely by an undersupply of prime quality industrial space globally and a number of structural changes taking place, including the rapid growth in e-commerce.

During the year, Goodman commissioned an independent research report into the impact of the e-retailing sector on the logistics market. The report confirms the strong demand for high quality, built-to-suit warehousing solutions amid the rapid growth in the sector. This presents a range of opportunities for Goodman, which understands local market dynamics and has the specialist expertise and experience to respond to the specific property needs of individual e-retailers and the third party logistics providers who service them. The sector now represents one of the Group's largest customer groups with a number of large developments undertaken over the last few years around the world for companies including Amazon, Zalando and Moonbasa.

In March, we received Securityholder approval at an Extraordinary General Meeting to undertake an internal restructure of the Group (Restructure), by adding a new Hong Kong company, Goodman Logistics (HK) Limited (GLHK), to Goodman's existing stapled structure. With over 600 Goodman employees and around half of our assets under management being outside of Australia, the Restructure reflects the global nature of our business and the growth of our operations internationally, with 41% of our earnings being sourced outside of Australia as at 30 June 2012. It is expected that the Restructure will improve Goodman's profile in Asia, and where appropriate, facilitate our international growth through GLHK.

The Goodman Foundation continued to support both the underprivileged in our community as well as providing support to communities in times of need. In the 2012 financial year, the Goodman Foundation expanded internationally to include China, New Zealand and the UK via new partnerships which include Benji's centre, Duffy Books in Homes and Wooden Spoon in these countries respectively. Opportunities in Europe are currently being finalised for implementation in the 2013 financial year.

During the year, we also continued to undertake a Board renewal process. Consistent with our strategy of having a diverse team who could bring new skills and experience to the Board, I am very pleased to welcome Mr Philip Fan and Ms Rebecca McGrath to the Goodman Board. Philip brings deep knowledge of the Chinese market and property expertise. Rebecca has worked across a broad range of disciplines including finance, operations and corporate planning in Australasia, the UK and Europe.

I am very pleased with the progress that Goodman has made in 2012 and am confident that we have adopted the right strategy to enable us to leverage unique opportunities and the Group's resources to our advantage in the coming year. We will continue to take a long-term strategic view, growing the business in a prudent manner and being patient with our investment opportunities. The dedication and hard work of our staff around the world have been significant contributors to this result and in positioning the Group well for future success. I would like to thank our Securityholders, capital partners, customers and staff for their continued commitment and valued support.

Ian Ferrier, AM
Independent Chairman

Group Chief Executive Officer's report

Goodman Group performed strongly in the 2012 financial year to deliver a solid financial result, reflecting the focused execution of our business strategy and successful completion of a number of significant initiatives during the year. Our teams around the world have worked hard to selectively and prudently pursue a range of opportunities to expand our operating platform and grow our business globally.

In an environment where greater emphasis is being placed on high quality assets with strong cash flows, we have leveraged our industrial sector specialisation and proven capability to position Goodman globally as a leading specialist provider of prime quality logistics and business space. By adapting our business to operate in a low growth and capital constrained environment, Goodman has built a distinct competitive advantage, benefiting from a geographically diverse platform, well established customer and capital partner relationships and sound financial position. Goodman is, in turn, well positioned to drive the future growth of its business and value of its brand globally.

An important feature of the 2012 financial year was the performance we achieved right across our business, with good contributions made across all of Goodman's operating markets. This reinforces the quality of our global platform, provides earnings diversity and gives us the ability to service a global customer and investor base. We experienced solid property fundamentals and capitalised on the undersupply of prime quality industrial space, which has seen our development and management activities perform particularly well during the year.

We continue to experience high levels of demand for our development product and are benefiting from a number of structural changes taking place around the world, including the rapid growth in e-commerce, greater supply chain efficiencies, building obsolescence, and consolidation among third party logistics providers. We further increased our development activity over the year with development demand in China exceptionally strong and now representing 9% of our overall development book, up from 2% last year. In Europe we had a record year, with over 671,931 sqm of logistics and industrial space delivered across 22 projects.

Importantly, Goodman maintained its prudent development approach, ensuring customer pre-commitments are in place and the majority of projects are pre-sold to third parties or Goodman's managed funds. We entered the key North American logistics market during the period and further strengthened our existing capital partner relationships and introduced new investors into our managed funds. We maintained high occupancy and customer retention levels, resulting from the efforts of our property teams who achieved exceptional leasing results and provided the highest standards of service to our customers.

For the full year, Goodman delivered an operating result of 30.5 cents per security and operating earnings of $463 million, exceeding our initial targets for the full year period.

Goodman distributed a total amount of 18.0 cents per security for the full year, consisting of a 9.0 cents per security distribution in each half year period.

A key achievement for the year was Goodman's strategic and timely entry into the important North American market with the signing of an agreement with California based Birtcher Development & Investments (Birtcher) to form a new management company, Goodman Birtcher North America. The management company combines Goodman's global expertise and proven fund management capability with the strength of Birtcher's local knowledge, well established track record and reputation. The focus of our North American platform will be to develop and invest in prime quality logistics and industrial facilities in key North American markets. The undersupply of quality, new logistics and industrial space in key markets means that we will initially undertake a development-led approach and seek opportunities in key logistics hubs on the West Coast and East Coast. In this regard, we have already identified four development opportunities to take advantage of the positive market conditions. Three prime land sites have been secured in California, two in the Inland Empire in the Los Angeles area and a third site at Oakland in the San Francisco Bay area. A fourth site has separately been secured in the Philadelphia Lehigh Valley industrial market.

To fund the investment in the properties developed and sourced by Goodman Birtcher North America, the Group also formed a new logistics and industrial partnership with Canada Pension Plan Investment Board (CPPIB), called Goodman North America Partnership (GNAP) which was finalised post balance date and will target an initial equity amount of US$890 million on a 55/45 basis, representing US$490 million from Goodman and US$400 million from CPPIB.

Significantly, GNAP highlights the strength of our capital partner relationships which we continued to build on during the year. Our China partnership with CPPIB, Goodman China Logistics Holding (GCLH), benefited from an additional equity commitment in response to the strong demand for our development product, which is driving the growth of our development activities and market share in China. A further combined US$500 million was contributed to GCLH post balance date by CPPIB and Goodman, taking the total combined equity commitment to US$1 billion.

We also established a new investment partnership with Malaysia's Employees Provident Fund (EPF) in the form of a global logistics relationship, focused on investing in high quality, stabilised logistics assets. The relationship was announced with an initial circa $400 million investment in a portfolio of six Australian properties acquired from the Group and its managed funds. We will retain an interest in the investment portfolio on a 60/40 basis with EPF holding the majority share.

During the year, our operating platform in Japan was fully integrated into Goodman Group and we launched the Goodman name in that market by rebranding to Goodman Japan Limited. This has significantly strengthened our business in Japan by enabling it to leverage the financial resources and global expertise of the Group. To further build on this, we also commenced the process of privatising Goodman Japan Limited in the 2012 financial year, which we continue to work through. Separately, we announced a combined US$350 million of new third party equity commitments post balance date for our Japan Core and Japan Development Funds. Abu Dhabi Investment Council has committed US$250 million to the Japan Development Fund, while the Japan Core Fund successfully closed an equity raising with three global institutional investors, increasing the Fund's external equity commitments to over US$100 million.

On behalf of the Board and the executive management team, I would like to take this opportunity to acknowledge and thank our people for their significant efforts and commitment to driving the growth of our business over the last year and ensuring that Goodman is in a strong position for future success.

Group operations

Goodman's operations delivered operating earnings of $463 million, a 21% increase compared with the 2011 financial year and diluted operating earnings per security of 30.5 cents, up 8%. Operating EBIT for the year was $527 million, with the composition of our earnings highlighting the growing contribution from the Group's development and management businesses, which contributed 38%, while our property investment activities contributed 62%. Significantly, Goodman's international operations performed strongly, with a 41% contribution to earnings and led by the growth in our Asian and European businesses. Australia capitalised on its market dominant position, contributing 59% to operating EBIT.

Property investment

Goodman's property investment portfolio was valued at $5.2 billion at year end, which compares with $5.0 billion last year. The portfolio consists of the Group's direct property investments, cornerstone investments in our managed funds and other financial investments, with the increase in value predominantly reflecting the higher participation in our managed fund cornerstone investments, in China and Europe, and the establishment of our relationship with EPF.

The Group's overall investment portfolio performed well in the 2012 financial year as a result of solid property fundamentals. The size, scale and quality of Goodman's portfolio coupled with our strong customer relationships and flexible approach ensured that we continued to benefit from the strong demand experienced during the year. This saw Goodman lease over 1.9 million sqm of space, equating to $195 million of net property income. We maintained a high 96% occupancy rate and achieved sound like for like rental growth of 2.8%.

Property development

Goodman's development activities continued to experience significant growth across all of its operating markets. We capitalised on the strong demand for our development product, which is being driven by the undersupply of prime quality industrial assets. We are increasing market share across Goodman's regions of operation and are currently one of the largest developers of logistics property globally. By year end, we had secured $1.8 billion of new development commitments across 77 projects in 13 countries, with a forecast yield on cost of 8.5%. An overall leasing pre-commitment of 74% was achieved, with an average lease term of 7 years. Our focus on maintaining a low risk approach was demonstrated through 87% of our current development commitments either pre-sold to, or pre-funded by, our managed funds or third parties. Commenced developments include:

+ two facilities both for 112,597 sqm in Germany on behalf of online e-commerce provider, Amazon;
+ in Belgium, a 62,494 sqm warehouse for global provider of hand tools, power tools and related accessories, Stanley Black & Decker;
+ a 46,693 sqm facility in Kunshan, China for global third party logistics provider, DB Schenker;
+ also in China, a 42,410 sqm distribution centre for online retailer, Moonbasa;
+ outdoor furniture manufacturer, Décochine has committed to a 23,260 sqm warehouse in Nantes, France;
+ a 21,505 sqm distribution centre for leading retail supplier of fasteners and hardware products, ITW Proline in Melbourne;
+ in the United Kingdom, a 21,524 sqm distribution hub for milk and dairy producer, Arla Foods; and
+ a 17,150 sqm warehouse for Frucor Beverages in New Zealand.

The Group and managed funds also completed $1.7 billion of developments during the 2012 financial year, representing a substantial increase over the $773 million of development completions last year, and equating to 1.3 million sqm of new space for 38 customers. We achieved a 100% customer pre-commitment on our completed developments and 98% were undertaken on behalf of Goodman's managed funds or third parties.

Our development work in progress increased to $1.9 billion compared with $1.8 billion for the same period last year. The development projects we have underway equate to 1.5 million sqm of space, with 87% being undertaken on behalf of our managed funds or third parties and 75% are currently pre-committed.

To facilitate the ongoing rollout of Goodman's development pipeline and ensure we continue to effectively respond to the strong customer and investor demand in all of our operating markets, the acquisition and replenishment of our controlled land inventory, particularly in China, Japan and North America, was a focus during the year. Consequently, we have maintained our development pipeline at in excess of $10 billion, capable of delivering a forecast gross lettable area of over 7 million sqm.

Property services

Goodman's Property Services teams worked hard during the year to ensure that our customer service and properties were maintained to a consistently high global standard, to lengthen the life cycle and overall demand for our properties. Our teams are responsible for over 14 million sqm of total business space under management, equivalent to $20 billion of total assets under management (AUM).

Our Property Services teams are focused on attending to the needs of, and delivering a wide range of services to, our 1,550 customers across 389 properties in 17 countries. Their success over the year can be measured by the quality leasing results achieved, consistently high occupancy and customer retention rates that have been attained and the presentation of our properties around the world.

Fund management

Goodman's third party AUM increased to $16.1 billion at year end, compared with $14.4 billion for the same time last year. We achieved this growth across our managed fund platform by building on our established capital partner relationships and introducing new global investors. This has seen significant equity flows into Australia, China and Europe from new and existing sources, with $0.9 billion of new committed third party equity raised during the year enabling our managed funds to complete a number of new initiatives. Goodman's managed funds had $2.8 billion of undrawn debt and equity available at year end, providing substantial scope to participate in investment and development opportunities from the Group and broader market.

We secured new equity capital from new and existing investors, including an initial $300 million commitment in Australia from EPF; for Goodman European Logistics Fund, a combined €200 million from Dutch asset managers, APG and PGGM; and in China, the equity allocation to the Goodman partnership with CPPIB was increased to US$500 million.

Capital management

Goodman has maintained its commitment to a sound financial position and retained its strong balance sheet over the year with the completion of a number of initiatives. We finished the 2012 financial year with gearing at 23.9% compared with 23.0% as at 30 June 2011, and had available liquidity of $1.3 billion at year end. This provides us with sufficient funding to meet our debt maturities to the 2016 financial year.

The Group completed the year with a weighted average debt maturity of 5.9 years, which is a further improvement on the 5.6 years reported for the 2011 financial year, and reflects the continued delivery of Goodman's stated strategy of diversifying its debt funding sources and lengthening its maturity profile. In this regard, the Group demonstrated that it has ongoing access to debt capital markets with the successful completion of its third senior unsecured note issue in the United States 144A/Reg S bond market, raising US$500 million for a term of 10 years. Debt markets remain open to prudent operators and the Group and its managed funds secured $3.8 billion of debt facilities with an average term of 4.8 years.

Significantly, the Group's focus on prudent capital management was acknowledged during the year with positive credit rating movements from Moody's which upgraded Goodman's issuer and senior unsecured rating to 'Baa2' from 'Baa3' with stable outlook, while Standard & Poor's adjusted its 'BBB' corporate rating from 'negative outlook' to 'stable'.

Outlook

Goodman is well positioned as a global leader in industrial and business space investment, development and fund management. We have worked hard to adapt our business to operate in a low growth, capital constrained environment by focusing on leveraging our sector specialist expertise, global operating platform and significant customer and capital partner relationships.

This is providing Goodman with a distinct competitive advantage and the capacity to pursue a range of new opportunities, including the expansion of our global platform, to service the needs of our global customer base and the demand for high quality, income producing industrial properties from our investment partners.

We are committed to the prudent yet active delivery of our business strategy given our strong competitive position, quality portfolio, active asset management, development capability and focus on capital management. This in turn will continue to drive earnings growth and generate future value for our stakeholders.

For the 2013 financial year, Goodman's earnings guidance is for a full year operating profit after tax of $524 million, equating to operating earnings per security of 32.3 cents, up 6% on the 2012 financial year.

Gregory Goodman
Group Chief Executive Officer

Group operations

Property investment

Goodman has an ownership interest in 389 high quality industrial business space properties in 17 countries and 34 cities globally. This arises from the Group's property investment portfolio which consists of $2.3 billion of direct property investments in Australia, Europe and the United Kingdom, and $2.9 billion of cornerstone investments across our managed fund platform.

The size and quality of our portfolio at the Group level and across our managed funds, combined with our focus on active asset management, ensure that our properties are well positioned to meet the needs of our customer base around the world and to provide consistent returns for our investors. We continually assess opportunities to reposition assets for better performance, including the adaptive reuse of older style industrial properties, and assessment of other higher and better use opportunities.

During the year, we also recycled a number of stabilised properties and development land assets in the ordinary course of business across the Group and our managed funds, with the proceeds being reinvested into new opportunities across our business. In this regard, we disposed of 22 properties, providing $751 million of capital.

Property development

The significant global demand for prime quality industrial space continues to drive the value of Goodman's development work in progress, which rose to $1.9 billion over the 2012 financial year. We have 68 development projects underway across all of our established operating markets around the world on behalf of 58 customers and equating to 1.5 million sqm of new logistics and business space. Following our recent entry into North America, we will shortly commence the development of a new 34,800 sqm warehouse on a 19 acre (7.7 hectare) site at Oakland in the San Francisco Bay area.

During the year, Goodman delivered 1.3 million sqm of new space across 50 projects on behalf of 38 customers. Developments completed in the 2012 financial year include:

+ the 225,413 sqm Goodman Interlink warehouse and distribution development in Hong Kong;
+ two facilities of approximately 108,000 sqm each at Rheinberg and Graben in Germany on behalf of Amazon;
+ an 82,895 sqm distribution centre for leading wholesale distribution and marketing company, Metcash in Sydney;
+ a 62,951 sqm facility for DB Schenker in Leipzig, Germany;
+ in Saint-Mard, France, a 50,122 sqm logistics centre for leading food retailer, Casino Group;
+ a 45,810 sqm production facility for car manufacturer, Volkswagen in Hannover, Germany;
+ in Perth, a 41,597 sqm facility for beverage manufacturer and distributor, Coca-Cola Amatil;
+ a 20,530 sqm distribution centre for automotive parts and equipment retailer, Supercheap Auto in New Zealand; and
+ in the United Kingdom, a 9,160 sqm divisional headquarters for Greater Manchester Police.

Property services

Goodman's Property Services teams around the world performed strongly in the 2012 financial year, managing the day to day relationships with customers and identifying opportunities to add value to their changing business requirements. This has enabled us to complete 1.9 million sqm of leasing transactions by year end and maintain high occupancy of 96%.

Through the effort of our teams, we welcomed a number of new customers to our property portfolios during the year and built on our relationships with existing customers, including DB Schenker, Nippon Express, Deutsche Post (DHL), Toll Group, Breville Group, LG Electronics, Ikea, Brands Exclusive, John Deere, GM Holden and BMW.

During the year, a total of 270 new leases were completed by Goodman's teams for existing and new customers in our property portfolios around the world and they also renewed a total of 322 leases for our existing customers, achieving customer retention of 80%.

Fund management

Global capital partners are attracted to Goodman's leading global fund management platform which is underpinned by our specialist industrial sector expertise, the strength and quality of our operating platform and our proven capability.

We continued to build on our capital partner relationships during the year, raising $0.9 billion of new third party equity across our managed funds. Our funds also completed a number of initiatives to further diversify debt funding sources and lengthen their debt maturity profiles.

We secured an initial $300 million equity commitment from EPF, with the establishment of a new global logistics relationship. This was made through an initial investment in an Australian industrial portfolio, consisting of six of Goodman's properties, and the establishment of a new investment vehicle, KWASA-Goodman Industrial Trust. Separately, in China Goodman and CPPIB increased their equity commitment in Goodman China Logistics Holding to US$500 million.

Goodman European Logistics Fund (GELF) raised €351 million of new equity by way of a pro-rata rights issue, with €200 million underwritten by Dutch asset managers, APG (€150 million) and PGGM (€50 million) and a further €145 million by Goodman. GELF separately agreed credit approved terms for an €800 million debt package, consisting of €400 million of secured facilities and a €400 million unsecured facility. The unsecured facility was structured to allow GELF to transition to the debt capital markets over time and diversify its long-term funding sources. This strategy was progressed in the second half of the year, with GELF attaining first time issuer ratings from Moody's ('Baa3') and Standard & Poor's ('BBB-'), both with stable outlook.

Investors in the £1.1 billion Arlington Business Parks Partnership (ABPP) agreed to extend the fund for a further five years. ABPP also successfully negotiated a new £350 million banking facility with a syndicate of three European banks.

Goodman Property Trust (GMT) in New Zealand raised NZ$63.4 million of new equity through the underwrite of its Distribution Reinvestment Plan. GMT also undertook a number of refinancing initiatives, extending and renewing NZ$132 million of bank facilities at competitive margins, with its average term to maturity across all facilities at 3.1 years.

In Australia, Goodman Australia Industrial Fund successfully completed its inaugural US$300 million US private placement issue of unsecured notes, which were issued in two tranches with 10 and 12 year terms respectively.

Corporate governance

Goodman recognises that an effective corporate governance culture is critical to success. At all times, Goodman strives to achieve governance outcomes which balance the objectives or requirements of Goodman, its stakeholders, regulators and the market. In doing so, Goodman is seeking to build and maintain a business that is sustainable into the future.

Corporate governance is the framework of rules, systems and processes by which authority is exercised within an organisation and accountability placed. Goodman is governed by its constituent documents, applicable laws (including the Australian Corporations Act 2001 and the Hong Kong Companies Ordinance, the ASX Listing Rules and, in respect of the Trust, the compliance plan lodged with the Australian Securities & Investments Commission (ASIC)).

The corporate governance statement below outlines the ways in which Goodman has met the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) during the 2012 financial year. Any departures to implementation of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations are described in the corporate governance statement below.

The corporate governance statement has been organised into the following sections:

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Governance

In February 2005, Goodman Limited (GL) and Goodman Industrial Trust (Trust) were stapled together to form Goodman, which is listed on the Australian Securities Exchange (ASX) under the ticker GMG. Following Securityholder approval in March 2012, Goodman Logistics (HK) Limited (GLHK) was added to the stapled structure with effect from 22 August 2012.

The Board

In accordance with the Stapling Deed, the boards of GL and Goodman Funds Management Limited (GFM), as the responsible entity for the Trust, meet jointly as the Board of Goodman and comprise the same Directors. The term "Board" hereafter should be read as a reference to the boards of GL and GFM as responsible entity of the Trust. The GLHK Board is a separately comprised board and is further described on page 14.

The Board is comprised of eight Directors, seven of whom are independent, and is chaired by Mr Ian Ferrier, AM.

The Directors bring a wide range of skills and experience to their respective roles and are committed to achieving a high standard of corporate governance. The diversity of each Director's background strengthens the Board and enables it to bring critical judgement and independent assessment to the oversight of Goodman's business. The Board is responsible for all aspects of the management of Goodman and has ultimate responsibility for its corporate governance practices.

The Board, through its delegation to the Remuneration and Nomination Committee, actively considers the appropriate size, composition and experience of the Board to respond to changing circumstances in its membership, the business and its strategy, and the markets in which it operates. It seeks to ensure that it has the broad base of skills and experience necessary to set the strategic direction of Goodman, oversee management's implementation of strategy and enhance corporate performance.

Having identified attributes and experience that the Board would benefit from, international search consultants were engaged to assist in the recruitment process resulting in the appointment of Mr Philip Fan and Ms Rebecca McGrath. In accordance with the Board's policy, their appointment adds diversity and new skills and experience to the Board. Philip brought knowledge of the Chinese business culture and processes along with property expertise. Rebecca brought skills and experience from senior roles in finance, operations, corporate planning, project management and marketing in Australasia, the UK, and Europe.

As advised in the 2011 report, Mr James Hodgkinson retired from the Board with effect from 30 September 2011.

The Board has adopted a charter that sets out the functions of the Board. The charter clearly establishes the role of the Board in setting Goodman's objectives and its responsibilities in the implementation of such objectives. A copy of the charter is published on Goodman's website at www.goodman.com.

To assist the Directors in exercising their responsibilities with critical judgement and independent thinking, comprehensive Board papers are issued in advance of meetings to enable full and informed participation. The Board's functions include:

+ appointing the Group Chief Executive Officer (CEO);
+ setting strategic direction;
+ reviewing progress on strategy;
+ developing key policies which impact on Goodman;
+ approving strategic alliances;
+ monitoring organisational performance against set targets;
+ ensuring compliance with statutory, financial and social responsibilities; and
+ ensuring business risks are appropriately identified and managed.

The Board has developed a statement of delegated authority to management. This delegated authority stipulates those matters to be dealt with by the Board and those matters which are delegated to management. The general statement of delegated authority governs areas such as finance, corporate matters and property transactions.

The composition of the Board as at 30 June 2012 is shown below. Please refer to page 24 in the Directors' report for details of each Director's attendance at Board and committee meetings during the year.

Mr Ian Ferrier, AM	Independent Chairman
Mr Gregory Goodman	Group Chief Executive Officer (Executive Director)
Mr Philip Fan	Independent Director
Mr John Harkness	Independent Director
Ms Anne Keating	Independent Director
Ms Rebecca McGrath	Independent Director
Mr Phillip Pryke	Independent Director
Mr James Sloman, OAM	Independent Director

Mr James Hodgkinson, a Non-Executive Director, retired as a Director on 30 September 2011. Mr Hodgkinson was not considered to be Independent.

Directors' obligations and rights

Goodman uses formal letters of appointment for Directors in order to ensure that the Directors clearly understand the expectations of them. Each letter outlines the terms of the Director's appointment and includes matters such as their powers and duties, attendance at meetings, remuneration, appointment on committees, induction and continuing education, and disclosure of interests. Please refer to pages 47 and 48 in the Directors' report for the skills and experience of each Director.

In respect of tenure, all Directors other than the Group CEO are subject to re-election by rotation at least every three years and new Directors appointed to the Board are required to seek election at the first Annual General Meeting (AGM) of Securityholders following their appointment. All new Directors undertake an induction process which includes meeting key executives and the provision of an information pack regarding the operations of Goodman, including key company policies and guidelines, constitutions and compliance plans.

Goodman stipulates the standards of ethical behaviour expected of Directors, key executives and employees in its Code of Conduct and requires the observance of those standards. The Code of Conduct and accompanying core policies on conflicts of interest, continuous disclosure, dealing with public officials, gifts, employee reporting and protection, related party dealings, securities trading and sustainability are available on Goodman's website at www.goodman.com.

Goodman requires Directors to accumulate and hold Goodman securities with a value equivalent to twice their annual base fees and applies 25% of Directors' net base fees to the acquisition of Goodman securities until that value of securities is held. For the purpose of this policy, the value of each parcel acquired is the higher of the purchase price or market value at the end of the financial year.

Goodman has a formal policy allowing Directors to take independent professional advice at Goodman's expense should they believe it necessary for the performance of their duties.

The Company Secretary and senior executives are always available to the Directors to provide them with information or clarification as required. These senior executives also present information at Board meetings in order to provide the Directors with unfettered access to all relevant information and the ability to candidly question senior management in relation to any matter they deem necessary.

Directors are provided with tours of Goodman's properties, both within Australia and overseas.

Directors and senior executives are also encouraged to participate in further education relevant to their roles. Goodman reimburses the costs of further education relevant to a Director's or executive's role.

Independent decision-making

The Board recognises the importance of independent decision-making by Directors and has established policies which require the independence of Directors to be assessed annually and that the Directors inform the Chairman prior to accepting any other board appointments offered to them. Each Director provides confirmations on their ability to adequately perform their role on an annual basis. The Directors bring independent thinking, high standards of corporate governance and good judgement to the Board.

The Independent Directors may elect to consider matters without the presence of executives where they believe this is appropriate or would bring additional transparency to the conduct of Goodman's affairs.

Criteria for assessing independence

The Board has assessed individual Directors for independence using the definition of independence provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Independence is assessed annually and was last confirmed in June 2012.

The Board considers that a material professional adviser or material consultant is one that derives more than 5% of their revenue from Goodman. The Board also considers that a substantial Securityholder, for the purpose of assessing independence, holds more than 10% of Goodman's securities but also has regard to other relationships that the Securityholder may have with Goodman.

The Directors consider Mr Ian Ferrier, Mr Philip Fan, Mr John Harkness, Ms Anne Keating, Ms Rebecca McGrath, Mr Phillip Pryke and Mr Jim Sloman to be independent. Mr Gregory Goodman is an Executive Director of Goodman. The table on page 10 sets out the Directors and their status.

Performance review

The Board reviews its performance and that of its committees approximately every two years. The Board considers this is an appropriate timeframe having regard to the time taken in the review process, the frequency of Board meetings and the level of change in the Board over time. An assessment of the performance of the Board, Committees and individual Directors was conducted at the end of the 2012 financial year. The process for conducting this review consists of each Director completing a self-assessment questionnaire, which also elicits comments and key issues the Director wishes to raise at that time. Following the collation of the questionnaire results, the Chairman meets with each Director individually to discuss their Board participation. In relation to the 2012 performance review, the questionnaires completed by the Directors covered the following matters:

+ Board contribution to developing strategy and policy;
+ interaction between the Board and management;
+ Board processes to monitor business performance and compliance, control risk and evaluate management;
+ Board composition and structure; and
+ operation of the Board including the conduct of Board and committee meetings.

The Board also undertakes ongoing assessment of Goodman's various committees. Following the end of the 2012 financial year, the Board made changes to the composition of committees and terminated the Investment Committee (as further described below).

The performance of senior executives is reviewed annually by the Group CEO through a structured process of self-assessment and review against previously established goals and objectives. This process is co-ordinated by Goodman's Human Resources department and applied globally throughout Goodman.

Chairman

Mr Ian Ferrier was appointed as Acting Chairman on 28 November 2008 and Chairman on 2 July 2009.

Ian is an Independent Director with 47 years of experience in corporate recovery and turnaround practice.

In his role as Chairman, Ian is responsible for ensuring that the Board functions as an effective and cohesive group, working with the Group CEO to determine the strategic direction for Goodman, establishing high standards of corporate governance and oversight of strategic development and leadership. The role also includes formulation of Board meeting agendas and papers and management of Board meetings to ensure the best performance of each participant. The Chairman acts as a representative of, and spokesperson for, the Board.

Group Chief Executive Officer

The Group CEO is Mr Gregory Goodman. The terms, conditions and responsibilities of his role are established in an agreement between Gregory and Goodman. His role as Group CEO is to support and encourage his management team to deliver the strategy developed by the Board and management. His role involves an intimate knowledge of all aspects of the business and communication of the strategy and operational results to the Board, management team and other stakeholders.

Company Secretary

The Company Secretary is Mr Carl Bicego. Carl is responsible for advising Directors on corporate governance matters, liaising with regulators, supervising market disclosures and investor interactions, maintaining Goodman's register and apprising the Board on legal and governance issues. His biographical details appear on page 48 in the Directors' report.

Remuneration

Goodman follows the principles of remuneration that are set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. These include a policy of rewarding employees with a mixture of fixed, performance-linked and equity based remuneration. Further information in relation to the remuneration policies is set out in the remuneration report on pages 31 to 45 in the Directors' report.

The salary and/or fees of each Director and other key management personnel are disclosed on pages 32 to 34 in the Directors' report.

Committees and oversight

Effective oversight and risk management are a fundamental part of Goodman's business strategy and central to protecting the interests of Securityholders. The Board has the ultimate responsibility for risk management and compliance. Goodman operates within overall guidelines and specific parameters set by the Board.

The Board has established a number of committees to assist in the exercise of its functions and the discharge of its duties, such as ensuring that financial reports are true and fair and comply with applicable accounting standards. Each committee can sub-delegate its powers and discretions, including to executives of Goodman, with or without the power to delegate further. A summary of the roles of the various committees is set out overleaf.

Audit Committee

The Board has established an Audit Committee, which meets at least four times a year, to assist in fulfilling the Board's legal and regulatory requirements in relation to Goodman's financial statements. The Audit Committee operates under a formal charter and its responsibilities include:

+ overseeing financial reporting principles and policies, controls and procedures;
+ ensuring the integrity of Goodman's financial statements, independent external audit and the Group's compliance with legal and regulatory requirements relating to financial statements; and
+ establishing procedures for selecting, appointing, and if necessary, removing Goodman's external auditor.

The Committee has the power delegated by the Board to undertake all things necessary to perform its duties and fulfil its purpose including:

+ approving principles, policies, strategies, processes and control frameworks for the management of audit matters; and
+ sub-delegating its powers and discretions to senior executives with or without the power to delegate further.

The Committee has access to the senior executives, internal auditor and the external auditor. In particular:

+ senior members of management are invited to attend Committee meetings and to present to the Committee on key issues;
+ Committee members regularly meet with management, independently of Committee meetings, to further discuss issues relevant to the work of the Committee; and
+ the Committee meets with the external auditor, without management being present.

The Committee reports to the Board on the outcome of its reviews, discussions with the external auditor and its findings on matters which have or are likely to have a material impact on the operating results or financial position of Goodman.

Goodman has engaged KPMG to act as its external auditor. As part of the terms of engagement, KPMG is required to review or audit as relevant, the half yearly and annual financial report prior to approval by the Board, discuss its findings with the Committee including the adequacy of financial and accounting controls, and attend the AGM and be available to answer questions from Securityholders about the conduct of the audit and the preparation and content of the independent audit report.

Each reporting period, the external auditor provides an independence declaration in relation to the review or audit. The Committee is also responsible for assessing whether non-audit services provided by the external auditor are consistent with the external auditor's independence and compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

The Audit Committee is comprised solely of the Independent Directors, Mr John Harkness (Chairman), Mr Ian Ferrier, Mr Phillip Pryke (from 1 October 2011) and Mr Philip Fan (from 10 August 2012). The Non-Executive Director Mr James Hodgkinson was a member until 30 September 2011.

John is a Chartered Accountant and was a former partner of KPMG before retiring in June 2000. He was a partner of KPMG while it was engaged to conduct the audit of Goodman's entities, however, he was not involved in those audits. Ian is also a Chartered Accountant with significant financial expertise and was previously the Chairman of the Audit Committee. The other members bring extensive business experience to the Committee.

Please refer to page 24 in the Directors' report for details of the Committee members' attendance at meetings during the year. Goodman's Audit Committee Charter is available on its website at www.goodman.com.

Executive confirmations

In addition to the work of the Audit Committee, the Group CEO and the Group Chief Financial Officer (CFO) provided confirmation to the Board in writing that Goodman's financial reports present a true and fair view, in all material respects, of its financial condition and operational results and are in accordance with relevant accounting standards.

The Group CEO and the Group CFO also provided written confirmation that, to the best of their knowledge and belief:

+ the statement given to the Board on the integrity of Goodman's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
+ Goodman's risk management and internal compliance and control systems are operating efficiently and effectively in all material aspects.

These statements are based on a Group-wide and broad ranging series of half and full year confirmations from senior executives and department heads in relation to the financial integrity, risk management and internal compliance and control system within each department.

Risk and Compliance Committee

The Board has required that management design and implement a risk management and internal control system to manage Goodman's material business risks. The Board has established a Risk and Compliance Committee to provide oversight and direction to Goodman's system of risk oversight, management and internal controls.

The Committee is comprised solely of the Independent Directors, Mr John Harkness (Chairman), Ms Anne Keating, Mr Jim Sloman, Mr Philip Fan (from 10 August 2012) and Ms Rebecca McGrath (from 10 August 2012), and meets at least four times a year.

The Committee operates under a formal charter (available on Goodman's website at www.goodman.com) and reports to the Board regarding the effectiveness of its risk management framework in relation to:

+ internal risk management systems;
+ internal audit framework;
+ internal compliance systems and external compliance audit functions (including the Committee acting as the Compliance Committee for each registered managed investment scheme of which GFM is the responsible entity);
+ sustainability programme;
+ Work Health and Safety (WH&S) Committee; and
+ insurance requirements.

The internal audit function involves a rolling programme of reviews and control testing of Goodman's business processes. The internal audit programme is closely aligned to the risk management framework. The internal audit function is wholly independent of the external audit function. The findings of internal audit are reported to the Risk and Compliance Committee and where relevant, the Audit Committee, and management responds to the recommendations.

Goodman's risk management system has been developed in accordance with international and Australian/New Zealand standards on risk management and has been underpinned by a Risk Management Policy that sets out the oversight and management of risk for Goodman. Goodman's Risk Management Policy is available on its website at www.goodman.com.

The Committee also oversees the work of several internal management committees which have risk responsibilities. These committees facilitate the sharing of information and seek to ensure that a consistent approach to risk management is applied across Goodman.

Consistent with Goodman's approach of transparent reporting to the Board, members of the Committee have unfettered access to management to discuss risk matters. Senior members of management are invited to attend Committee meetings and present on key issues. External experts and third party service providers are also invited to attend Committee meetings to provide the Committee with further information and understanding of the way in which Goodman manages its risk and compliance obligations.

The Group Head of Risk is responsible for the implementation of the Risk Management Policy globally. He reviews critical business units and profiles their key risks on an annual basis. Action plans for mitigating key risks are reported to the Committee at each meeting.

The Compliance Manager is responsible for reviewing and monitoring the efficiency of the compliance systems on an ongoing basis and for reporting on the results of these activities to the Committee.

Management has reported to the Board and the Board has formed the view that Goodman manages its risks effectively.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to consider remuneration and nomination issues more effectively and fully and to provide recommendations to the Board for approval.

The purpose of the Committee is to:

+ identify and recommend individuals to the Board for nomination as members of the Board and its committees;
+ ensure performance of members of the Board is reviewed;
+ develop and recommend to the Board relevant corporate governance principles;
+ ensure an appropriate Board and committee structure is in place so that the Board can perform a proper review function;
+ review and make recommendations to the Board in respect of the administration of Goodman's remuneration programmes (including the engagement of any remuneration advisers);
+ review and make recommendations to the Board in respect of the approval and remuneration of senior executives and Non-Executive Directors;
+ prepare for approval by the Board the remuneration report; and
+ report regularly to the Board on each of the above matters.

The Committee is responsible for engaging remuneration consultants for the provision of remuneration recommendations for key management personnel.

The Remuneration and Nomination Committee operates under a formal charter, a copy of which is published on Goodman's website at www.goodman.com.

The Committee is comprised solely of the Independent Directors, Mr Phillip Pryke (Chairman), Mr Ian Ferrier, Ms Anne Keating, Mr Jim Sloman (from 10 August 2012) and Ms Rebecca McGrath (from 10 August 2012). Further information regarding the attendance of Committee members can be found on page 24 in the Directors' report.

Investment Committee

During 2012, the Investment Committee had authority to:

+ review, consider and, if appropriate, approve any transactions falling within its mandate;
+ make recommendations to the Board regarding transactions; and
+ perform other functions as may be delegated by the Board from time to time.

The Committee was comprised of Mr Jim Sloman (Chairman), Mr Ian Ferrier and Mr Gregory Goodman. In reviewing the function of the Committee following the end of the year, the Board concluded that it was no longer required and its delegated authority was returned to the Board.

A list of attendees at the meetings of the Board, Audit Committee, Risk and Compliance Committee, Remuneration and Nomination Committee, and Investment Committee can be found on page 24 in the Directors' report.

GLHK governance

A description of GLHK's governance was set out in the Notice of Meetings and Information Memorandum dated 22 February 2012 to consider the stapling of GLHK securities to the Group's stapled securities. Set out below is a short summary of GLHK's current governance arrangements.

GLHK is a separate legal entity and is managed by a separate board of directors, which partially overlaps with the Board. As it is intended that GLHK be a Hong Kong tax resident, the GLHK Board must be comprised of at least 50% Hong Kong residents. To be eligible for appointment as a GLHK director, a person must be a member of the Board (or nominated for election to the board of GL) or an officer or employee of Goodman Group.

The GLHK Board is comprised of three directors who are currently on the Board (Mr Ian Ferrier, Mr Gregory Goodman and Mr Philip Fan) and one director who is part of Goodman's executive management team (Mr Philip Pearce). Mr Philip Fan and Mr Philip Pearce are residents of Hong Kong.

In accordance with ASX Listing Rule 14.4, the GLHK directors will stand for re-election every three years (other than Mr Gregory Goodman who is the managing director of the Group and therefore exempt from the rotation requirement). Any fees paid to non-executive directors of GLHK will be paid out of the same aggregate director fees last approved by Goodman Group in general meeting.

The Board and the GLHK Board must exercise their respective functions diligently and, to the extent permitted by law, in the best interests of Securityholders as a whole. The GLHK Board is governed by Hong Kong law (including the Companies Ordinance – see Annexure B of the Information Memorandum for a summary of the Hong Kong regulatory environment and rights and liabilities attached to GLHK shares). GLHK is also subject to the ASX Listing Rules and the Australian Corporations Act requirements for registered foreign companies.

The Board and its committees will continue to have oversight of the Group's business, operations and compliance. The GLHK Board will be responsible for the preparation of GLHK stand-alone accounts, the determination of dividends out of GLHK and any other non-delegable acts. Goodman's 2013 Annual Report will be the first period reporting on the Group's governance on the basis of the new stapled structure.

Engagement with stakeholders

Timely and balanced disclosure

Goodman is committed to providing timely, balanced and readily available disclosure of material information to Securityholders, the investment community generally, other stakeholders and regulators. It believes that ethical and responsible decision-making is critical to the success of its business. Goodman also believes that the transparency of these processes promotes market and Securityholder confidence in its integrity and sustainability.

Goodman's Continuous Disclosure Policy outlines the procedures followed internally to ensure timely and full disclosure of material through the ASX. Under this Policy, Investor Relations is responsible for the co-ordination of all ASX announcements; however, it relies on the input and sign-off of key staff in each division to which the ASX announcement relates. The Group CEO and the Company Secretary (Communications Officer) review all filings prior to lodgement with ASIC or the ASX and are responsible for ensuring timely lodgement of all documentation.

The Board's policy is to review announcements on key transactions. In addition, the Board will approve periodic or other mandatory disclosures of announcements concerning:

+ half yearly and full year financial statements and results;
+ annual reports;
+ Investor or market updates (especially when including new price sensitive information);
+ Extraordinary or Annual General Meetings;
+ disclosure documents concerning the issue of securities;
+ transactions that will require Securityholder approval (such as related party transactions, and matters requiring Board recommendations); and
+ corporate transactions such as takeovers or schemes.

All announcements are reported to the Board and a record is made of where the announcement has been reviewed by the Board as part of Board papers or otherwise. The Communications Officer has responsibility for all communications with the ASX. The Communications Officer authorises all market communications and is kept informed of issues discussed during meetings with investors/analysts. The Communications Officer reviews other market communications such as press releases and other corporate publications to ensure a consistent approach is adopted in relation to disclosure. Following receipt of confirmation of lodgement and the release of announcements, relevant information is then published on Goodman's website at www.goodman.com.

Goodman's senior executives, including the Communications Officer, regularly meet to consider operational matters and regulatory compliance including the consideration of identified potential transactions that may require disclosure. In particular, this includes significant corporate, property or financing transactions by the Group or its managed funds.

The Continuous Disclosure Policy also sets out when trading halts are to be used, how to respond to market speculation and guidelines regarding how communications are to be made through differing forms of media.

Information on continuous disclosure is made available to all employees on commencement of employment. Goodman's Continuous Disclosure Policy is available on its website at www.goodman.com.

Communication with Securityholders

Goodman has implemented a number of processes in order to facilitate the effective and efficient exercise of the rights of all Securityholders. Goodman communicates information to Securityholders through a range of media, including annual reports, half year results, quarterly updates, investor newsletters, general communications and ASX announcements. Results presentations are webcast and available for downloading on the website. Key financial information and stock performance are also available on Goodman's website. Securityholders can raise questions by contacting Goodman by telephone, facsimile, email or post. Contact details are provided on the website and at the back of this Annual Report. Goodman's policy and procedures in relation to investor communications are incorporated into its Continuous Disclosure Policy.

Securityholders are invited to attend the AGM either in person or by proxy. The Board regards the meeting as an excellent forum in which to discuss issues relevant to Goodman. The Board encourages full participation of Securityholders at these meetings to ensure a high level of accountability and identification with Goodman's strategy and objectives. Securityholders are invited to submit questions to the external auditor for discussion at the AGM.

The meeting is webcast to further inform Securityholders who are unable to attend and the address of the Chairman is immediately announced to the ASX. Voting results (including a summary of proxy voting) on matters considered at the meeting are released to the ASX as soon as they are determined.

Complaints handling

Goodman has both internal and external complaints handling procedures. Investor Relations responds to Securityholder enquiries and complaints and provides a thorough and transparent communications service to Securityholders. GFM is also a member of the Financial Ombudsman Service, an external industry complaints handling service.

People and conduct

Responsible and ethical decision-making

In addition to the responsibilities which apply specifically to Directors, the Board has endorsed a Code of Conduct which applies to Directors and employees of Goodman.

The Code of Conduct requires Directors and employees to, among other things:

+ keep abreast of Goodman's policies and procedures, and where necessary sign acknowledgements that they have read these policies;
+ co-operate fully with any investigations relating to Goodman's policies;
+ notify the Group General Counsel in writing if they are required by any regulatory body to provide information, answer charges or face proceedings in respect of any matter arising during their tenure with Goodman;
+ keep any and all Goodman information confidential except as necessary for marketing Goodman products and services;
+ notify the Group Head of Risk, Group General Counsel and/or Group General Manager, Human Resources if they have reason to suspect fraud, corrupt, criminal or unethical conduct by any Director or employee of Goodman; and
+ be prohibited from making or accepting payment or any other benefit in money or kind as an inducement or reward for any act or in connection with any matter or business transaction undertaken by or on behalf of Goodman.

The aim of the Code of Conduct is to establish a high standard of conduct and to communicate this to the Directors and employees. Expectations regarding fairness, honesty and the treatment of confidential information are made explicit. The Code of Conduct also charges all employees with responsibility for reporting unethical or corrupt conduct.

The Code of Conduct is provided to Directors upon appointment and all employees upon commencement. The Code of Conduct is supported by a framework of policies that set out Goodman's approach to meeting its legal obligations and the expectations of stakeholders for responsible and ethical decision-making. Key policies forming part of the framework are set out below.

Securities trading

The Securities Trading Policy, which is made available to Directors on their appointment and employees on their commencement, prohibits Directors and employees from trading in Goodman securities when in possession of inside information. It also prohibits the communication of that inside information to any other person who is likely to purchase or sell Goodman securities or who is likely to procure a third party to purchase or sell those securities.

Under the Securities Trading Policy, the only appropriate time for a Director or employee to acquire or sell Goodman securities is when he or she is not in possession of price sensitive information that is not generally available to the market. To avoid any adverse inference being drawn of unfair dealing, Directors and employees are not to deal in Goodman securities during the two week period before the end of a financial period through to the release of Goodman's half yearly or yearly results. A trading blackout is notified to Directors and employees during those times and may also be notified by the Company Secretary or Group CEO at other times when considered appropriate.

Approval is not given during a trading blackout unless the Group CEO or Chairman is satisfied of circumstances amounting to hardship and that the person is not in possession of price sensitive information which is not generally available to the market.

Directors and employees are not allowed to engage in short-term trading of Goodman securities under the Securities Trading Policy nor are Directors or senior executives allowed to enter into derivative contracts that hedge their exposure to movements in the price of Goodman securities that have not vested.

The Securities Trading Policy applies to decisions to sell Goodman securities by a mortgagee, chargee or margin lender under a margin loan or other financing arrangements. Directors or employees may apply, on the basis of hardship, for consent to trade from the Chairman or Group CEO notwithstanding that a trading blackout might otherwise apply.

Any trade in breach of the Securities Trading Policy must be immediately disclosed to the Company Secretary for reporting to, and consideration by, the Board.

Conflicts of interest

Goodman has a Conflicts of Interest Policy to demonstrate its commitment to conducting its business ethically and with integrity. Directors, employees and consultants are required to comply with the Conflicts of Interest Policy. The purpose of this Policy is to outline the procedures in place to control and avoid conflicts of interest by identifying, assessing, managing and reporting on the types of conflicts of interest which Goodman anticipates will affect or arise from its business. The Policy covers the mechanisms to:

+ identify conflicts of interest;
+ manage conflicts of interest by assessing and evaluating actual or potential conflicts, and decide upon and implement an appropriate response to those matters; and
+ maintain written records that demonstrate how Goodman manages conflicts which occur.

Related parties

Goodman has implemented a Related Parties Policy for the disclosure and resolution of any matter that may give rise to actual, potential or perceived conflicts of interest between the interests of a Director and Goodman. The Policy ensures that all transactions involving related parties of Goodman conform to the requirements of the Corporations Act 2001 and ASX Listing Rules.

Gifts

Goodman has a Gifts Policy to demonstrate its commitment to reasonable and proportionate gift giving and receiving by Directors and employees. Management recognises that the giving and receiving of business related gifts and corporate entertainment are an important part of building business relationships with potential and existing customers. However, Directors and employees must exercise caution to ensure only bona fide gifts are given and received which will not influence, or appear to influence, Goodman's or third party judgements.

The Gifts Policy outlines the general prohibitions and guiding principles that Directors and employees should consider when giving and receiving gifts, and also details the mechanisms for approving, recording and reporting of gifts.

Dealing with public officials

Goodman has a Dealing with Public Officials Policy to demonstrate its commitment to conducting its business in accordance with applicable laws and regulations and in a way which will maintain and enhance its reputation in the market. One aspect of this commitment is that Goodman always behaves in a professional, honest and responsible manner and avoids any conduct which may be considered to be corrupt or contrary to good corporate ethics. Goodman strictly prohibits any activity that seeks to bribe, corrupt or otherwise improperly influence a public official or third party in any country or to act (or omit to act) in a way that differs from that official's proper duties, obligations and standards of conduct.

The Dealing with Public Officials Policy outlines the general prohibitions against bribery and corruption of public officials (both in Australia and overseas), the procedures around dealing with public officials, and the detection and reporting of bribery and corruption.

Employee reporting and protection

Goodman is committed to conducting business in a culture of integrity, compliance and ethical behaviour. Goodman also considers that it has a responsibility to its employees, Securityholders and customers to safeguard against any attempts of fraud, bribery and corruption. In light of this, and its belief in the importance of having a mechanism for the reporting of wrongdoing and protecting those who report wrongdoing, Goodman has an Employee Reporting and Protection Policy. This Policy encourages employees, management and contractors to report instances of improper behaviour by outlining the way Goodman will protect those who raise concerns about unacceptable behaviour.

Group Employee Handbook

The Handbook is a guide for employees about their obligations and entitlements as employees of Goodman. The rules and policies in the Handbook apply to all employees globally. The Handbook covers matters such as diversity, remuneration, insurance, presentation, leave, performance management, grievance handling, substance abuse, internet/email usage and disciplinary proceedings. The Handbook is regularly reviewed and updated by the Group General Manager, Human Resources.

Work Health and Safety (WH&S) Manual

Goodman recognises its obligations under the WH&S legislation and is committed to the implementation and proper management of appropriate risk management procedures to protect the safety of its employees, contractors, customers and visitors. Goodman's commitment to WH&S extends to all facets of its business with the overall responsibility for WH&S resting at the highest level of management and the Board. However, every employee is also required to comply with the WH&S Manual and to perform all duties in a safe and responsible manner.

Goodman has developed and implemented a WH&S management programme and an online Contractor Induction system.

Diversity

Goodman's Diversity Policy aims to provide a work environment that values diversity and inclusion in all locations around the world. This is consistent with two of Goodman's corporate values (Goodman Values) which are Open+Fair and Team+Respect.

The Policy provides that Goodman will:

+ ensure all workplaces are free of harassment and unlawful discrimination;
+ recruit, appoint and promote on the basis of merit;
+ provide equal access for all employees for personal development, management skills development and career path opportunities;
+ recognise cultural differences that exist around the world;
+ be aware of and accommodate the needs of individuals with family and carer responsibilities, through flexible and contemporary work practices;
+ be aware of customers' diversity and their expectations;
+ create an inclusive work environment, where ideas and opinions are shared for the overall benefit of the Group;
+ contribute to the community through a range of philanthropic channels;
+ create and implement programmes that aim to increase career advancement opportunities for female employees across the business globally; and
+ support and achieve the above objectives by inclusion of these within key performance indicators for senior management and ensure Board review of progress.

The main objective of the Group's gender diversity strategy is to increase the representation of female employees to 10% at CEO-1 level, 30% at CEO-2 level and up to 35% at CEO-3 level over a three year timeframe from 2012 to 2014 inclusive, through reducing barriers to career progression. For the purpose of the objective, senior roles are considered to be those at the Group CEO, CEO-1, CEO-2 and CEO-3 levels. Future analysis may involve a shift in comparator base to one reflecting job size and scope as defined by Hay Points (as an example) as the inconsistencies that exist from using a relative positioning comparator base are recognised.

Diversity objectives are tracked and referenced to the organisational structure and the relative positioning of a particular role to the Group CEO role. This method has been selected as Goodman remains a relatively small organisation in terms of overall employee numbers. Typically, the organisational structure follows a single line of management control and therefore does not reflect a combination of geographical and functional management. An outcome of this structure is that even at CEO-3 levels, significant scope and accountabilities are assigned to roles in the various geographic regions.

As with 2011, senior female employees are not represented at the Group CEO level or at the senior management level immediately below the Group CEO (CEO-1) level. At this level of the organisation, the roles are geographic business head roles or certain specialised corporate function roles such as the Group Chief Financial Officer or Deputy CEO. The female participation rate has remained unchanged at these levels in 2012 as no turnover has occurred which may have otherwise created an opportunity for a female candidate.

At the CEO-2 level, the roles are senior geographic business roles and corporate function roles (global or regional geographies or sub-specialisation). Female representation at this level in 2011 was 18% (9 of 50 employees) and this has increased to 26% (12 females within 46). This increase can be explained by the creation of specific project roles for female employees along with changes in management structures. Consistent with 2011 the Group considers this level of employees and the females within it to be crucial as this group is a pool from which Goodman's senior management would be selected in the absence of external appointments.

At the CEO-3 level, the female representation changed from 23% in 2011 (13 of 57 employees) to 20% (10 from 50 employees). Analysis of this indicates that a change in the management reporting lines within Continental Europe caused the decrease; however, the positive effect of this is a high potential female employee moved into a role with significant greater staff management and revenue generation requirements. This move into a new role creates a significant development opportunity for the individual. As with 2011 the challenge for the Group is to ensure that career advancement occurs for high potential female employees and the barriers to this are eliminated where possible.

On an overall basis, the gender representation of Goodman (as at 30 June 2012) remained unchanged at 54% male and 46% female. Specifically in respect of the geographies, the respective female representations were Greater China at 50% (was 60%), remaining at 40% in Australia (including Group employees), remaining at 46% in Continental Europe, increasing to 46% (from 40%) in New Zealand and remaining constant at 51% across the United Kingdom businesses. Within these numbers is a strong female representation at more junior levels; however, a tapering of this representation is evident as the level of role increases.

To support the Group in meeting its diversity objectives, a range of activities have been undertaken which are further described under the section "Corporate social responsibility – Diversity initiatives" on page 20.

The Board is aware of the requirement to ensure diversity across several important attributes relating to its ability to carry out its functions effectively. In respect of skills and experience the appointments of Mr Philip Fan and Ms Rebecca McGrath to the Board that were made in 2012 reflect an increased diversity of geographical experience, cultural awareness and industry skill. With regards to gender diversity of the Board, two of the eight directors are women.

Each of the documents referred to above, other than the Group Employee Handbook and WH&S Manual, is available to Securityholders on Goodman's website at www.goodman.com. The Employee Handbook and WH&S Manual are available to all employees through Goodman's intranet.

Corporate social responsibility

Sustainability

Goodman's sustainability programme is strategically aligned with our business activities and reflects our focus on creating long-term sustainable value for our key stakeholders, including customers and investors.

Sustainability is shaping the way Goodman conducts its business. Changing business dynamics including energy and carbon regulation, rising energy costs, disclosure obligations and investor demand are influencing the way we develop and manage properties, and engage with our stakeholders. These changes are also presenting real opportunities for Goodman to improve its business.

Sustainability highlights for the 2012 financial year include:

+ certified green development projects in Australia, Hong Kong, Continental Europe and the United Kingdom (UK);
+ energy upgrade projects completed in Australia, New Zealand, Hong Kong and the UK;
+ development of the Goodman Logistics Sustainability Benchmark;
+ 0.5 star increase in our National Australian Built Environment Rating System (NABERS) energy rating average across the Australian commercial portfolio; and
+ submissions to the Carbon Disclosure Project and Global Real Estate Sustainability Benchmark.

Our approach

During the year, we continued to embed our sustainability strategy across our global operations, implementing new initiatives in some regions, while improving performance in others.

Our strategy encompasses the following six programme areas:

+ Sustainable Development – working with customers to evaluate and incorporate sustainable design initiatives;
+ Asset Management – prioritising efficient performance through management and investment;
+ Engagement and Reporting – communicating with our stakeholders including the communities in which we operate;
+ Compliance – understanding and managing our global compliance obligations;
+ Corporate Performance – measuring our impact and aiming to improve our performance; and
+ Social – Inspiring and challenging our people and expanding our sustainability knowledge.

Australian greenhouse gas emissions

Goodman's greenhouse gas emissions (GHG) for 2012 have been calculated as 48,536.04 kgC02-e across our Australian operations. This represents a 35% increase of our absolute emissions from 2011, which is largely attributable to the inclusion of Goodman Trust Australia in the 2012 calculation.

Our GHG calculation includes scope 1 (refrigerants, petrol, diesel and gas) and 2 (purchased electricity) emissions generated from Goodman's Australian property and building management services, comprising assets owned directly by Goodman and those within our Australian managed funds. It does not include the GHG emissions of our customers.

Improving performance

Goodman manages $20 billion of property assets globally, with the efficient operation of our assets key to the overall performance of the Group. Improving the performance of Goodman's assets remains a core part of the property services we provide globally. We take a lifecycle approach to asset management as we consider performance across a building's development, commissioning, operational and redevelopment phases.

During 2012, we completed a number of initiatives to improve asset performance in our operations around the world.

In Australia, the management of, and capital investment in, our assets during the year contributed to a 0.5 star increase in our NABERS energy average across the commercial portfolio. We are nearing completion of the second stage of our smart metering rollout to improve monitoring. Three major energy improvement projects were completed under the Federal Government's Green Building Fund, and five separate lighting upgrade projects were also completed, with further projects budgeted for in 2013.

In Hong Kong, our Property Services team completed several LED and T5 fluorescent lighting upgrades during the year, further improving energy efficiency across the portfolio. Several water saving initiatives were also implemented, mainly during recent tenancy and building upgrade projects.

Our Property Services team in New Zealand was able to reduce energy consumption by approximately 15% at 20 Viaduct Harbour Avenue, Auckland as a result of a major upgrade of the building management system. The team is also implementing a new portfolio energy and carbon reporting system to streamline its monitoring, reporting and energy billing procedures.

In the UK, a range of energy upgrade projects have been completed including the installation of smart meters across the portfolio. A major energy upgrade to the Unilever building at Colworth Science Park was also completed, including a new building management system, controls upgrade and mechanical upgrades. Other projects across the UK portfolio included building management system upgrades, the installation of new efficient chillers and several lighting upgrades.

In Continental Europe, sustainability benchmarking was completed on 99% of the logistics portfolio. The aim of the benchmark is to identify performance trends and improvement opportunities, such as the LED lighting solution being trialled at one of our assets in the Netherlands. We have also increased the number of leases which include specific clauses to facilitate closer collaboration with our customers to improve the sustainability performance of their tenancies.

Goodman Logistics Sustainability Benchmark

Defining an appropriate benchmark for logistics assets remains a priority for Goodman. Distinguishing between the performance of an asset and the activities of the customer is important to produce a comparable benchmark between assets.

During the year, Goodman developed the Goodman Logistics Sustainability Benchmark to address this complex issue and has commenced the assessment of our European assets against this benchmark. The outcomes of the assessment allow our Property Services teams to identify performance trends and improvement opportunities focusing on the physical attributes of the relevant asset. The primary focus areas of our benchmark include lighting, heating, cooling, ventilation, insulation and monitoring.

Sustainable development

Goodman's Development teams globally continue to seek opportunities to incorporate sustainable design initiatives and innovations into our developments. Our approach is to work closely with our customers during the design phase to evaluate options, taking into consideration operational performance and financial benefits over the long term.

In the UK, the base building specification for our UK Business Parks team is designed to achieve a minimum BREEAM "Very Good" standard. Two developments that achieved this certification during the period were the new Greater Manchester Police divisional headquarters, Manchester and the Innovation and Discovery Centre, Colworth Science Park.

Across Continental Europe, Goodman has nine developments targeting a design rating under the DGNB (German Sustainable Building Council) system. These are in addition to four certified ratings previously achieved under the DGNB, BREEAM system and the HQE (High Environmental Quality) system in France.

Our recently completed Goodman Interlink development in Hong Kong set a new standard for green logistics development in the region, achieving a gold rating under the HK BEAM scheme and certification under the US LEED programme. Recent developments in China, such as Goodman's 42,809 sqm Pudong International Airport Logistics Park in Shanghai, incorporate a number of comparable features, including efficient lighting, increased natural lighting, natural ventilation and extensive energy metering.

In Australia, Goodman has received official certification for three developments under the Green Star Industrial v1 rating tool. This includes the 82,895 sqm Metcash NSW Distribution Centre which is the largest project certified under this tool. We currently have a further three developments targeting a Green Star Office v3 rating.

Sydney head office

Goodman moved into its new Sydney head office in September 2011. Energy efficiency was a key focus in the fit out design, which included efficient LED and T5 lighting, movement sensors and daylight harvesting, whilst shifting towards a paperless office.

Since moving into our new office, we have reduced our power consumption by approximately 46% and paper consumption by approximately 53%.

Diversity initiatives

In 2012, Goodman has made considerable progress on many of the diversity initiatives outlined in 2011. Discussion of this progress appears below and is consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

In line with 2011, the diversity activities undertaken within the Group in 2012 have related principally to gender diversity as this element has been identified as a key focus area for the Group. Further information describing the Group's actions in respect to increasing the opportunities and representation of indigenous Australians in the workplace, increasing the opportunities for greater community participation and quality of life for individuals with disabilities, and the philanthropic activities of the Group's employees are outlined in the section relating to the Goodman Foundation.

The Future Women programme commenced in Australia in May 2011 and this has continued throughout 2012. This programme is open to all female employees irrespective of level, and is designed to provide insight and development specifically on career development, career negotiations, increasing visibility and increasing effectiveness at work. The objective of the programme is to assist women to take charge of their own career development. In 2012, 15 women from all levels of the Group have been regular attendees in the Future Women programme. Importantly, they have indicated that their confidence in seeking new career opportunities within the Group has increased as a result of their involvement in the programme. It is anticipated that the Future Women programme will continue through 2013 and will be exported to overseas locations.

Ensuring contact with the property industry is important and accordingly the Group sponsored several female employees to attend various property industry networking and personal development events in 2012.

The Group launched a mentoring scheme for all employees to provide opportunities for employees to gain insight from senior managers locally and overseas on work related issues. This has allowed female employees to have exposure to managers that they may not have ordinarily received.

As reported previously, the Group's middle management leadership development programme (known as Good+Future) commenced in Australia in April 2011. Good+Future continued in 2012 and in total four programmes have been conducted. The programme is aimed at high potential mid-level managers (both male and female) who would benefit from specific leadership development in team management, effective communication, strategic thinking, conflict resolution and presentation skills. In 2012, 32 participants in total (of which 37% were female) undertook the programmes. The Group places importance on female employees having access to the Good+Future programme as participants are considered to be a part of the future talent pool.

The Group successfully implemented its Diversity Policy in 2012 and supported this through the launch of an online self-paced training module. This module is mandatory and features a method for employees to test their understanding of the policy through self-assessment. As at 30 June 2012, 100% of all registered users on the online system had completed the Diversity and Code of Conduct training modules.

The Group finalised its Flexible Work Policy and communicated this to all employees in Australia and New Zealand. Flexible work has been well received and has been successful in Australia to the extent that during 2012, 10% of female employees now have formalised flexible work arrangements in place that allow them to work on a full-time basis, either from home or from another remote location. The Australia and Group businesses experienced a 90% return from maternity leave rate in 2012. In addition to this, 5% of employees (both male and female) have formalised part-time work commitments that allow for better balance of family or carer responsibilities.

As with 2011, the Group requires external recruitment agencies to provide shortlists that include a minimum representation of female candidates in roles that are traditionally more male dominated.

The Group relaunched the Goodman Values campaign during 2012, with the rollout supported by an online training module devised to communicate the Group's expectations in respect of employees' workplace behaviour. One value is Team+Respect, which embodies elements of inclusiveness, respectful behaviour and mutual tolerance. Key performance indicators for the senior management team include diversity objectives.

The Remuneration and Nomination Committee oversaw the development of a succession plan for the Group which included an assessment of key roles and possible replacements for current incumbents over the short and longer term. This plan considered diversity aspects and will be reviewed annually.

The Remuneration and Nomination Committee has the responsibility to report progress against objectives to the Board on a regular basis.

Goodman Foundation

Support in the community

The Goodman Foundation supports the underprivileged in our community as well as providing support to our communities in times of need. Its focus is on social change and improving the standard of living or the health of our community by providing practical assistance. It does this through a comprehensive strategy encompassing contributions to the community through the distribution of cash, volunteering, workplace giving and in-kind programmes, with long-term (three+ years) partnerships developed and being delivered with charitable organisations across all Goodman locations.

The successful implementation of the Goodman Foundation's strategy in 2012 has resulted in the expansion of its activities into China, New Zealand and the UK through the development of new partnerships including Benji's Centre, Duffy Books in Homes and Wooden Spoon in these countries respectively. Partnerships across Continental Europe are being finalised for implementation in 2013.

The selected charities that Goodman supported in 2012 included:

+ OzHarvest
+ Good Beginnings Australia
+ Yalari
+ TNC Inc
+ MS Australia
+ NCIE (National Centre of Indigenous Excellence)
+ Property Industry Foundation (PIF)
+ Black Dog Institute
+ Cancer Council Australia
+ Clown Doctors
+ Education Development Association (EDA)
+ Kids Under Cover
+ Duffy Books in Homes (New Zealand)
+ Benji's Centre (Hong Kong)
+ Wooden Spoon (UK)
+ Chinese Red Cross Foundation (China)
+ Fu Hong Society (Hong Kong)

Goodman Foundation staff engagement programmes

The Goodman Foundation conducts two employee focused programmes called Good+Deeds and Good+Heart. These two programmes allow Goodman employees to contribute in various ways to several organisations which are making a real difference to people's quality of life.

The **Good+Deeds** programme is an Employee Workplace Giving programme, where Goodman employees can offer financial support to charities they have selected and these contributions are matched by the Goodman Foundation.

The **Good+Heart** initiative provides an avenue for the Goodman teams around the world to actively participate in charitable community events either through fund raising activities and events for a charity of their choice or the provision of their time as a participant in Goodman's volunteering programme. Goodman provides support for this in the form of financial assistance or through involvement with specific fund raising, event participation, charity appeals and awareness programmes.

Consolidated financial report for Goodman Limited

and its Controlled Entities the year ended 30 June 2012

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Directors' report

The directors (Directors) of Goodman Limited (Company) present their Directors' report on the consolidated entity consisting of the Company and the entities it controlled (Goodman or Consolidated Entity) at the end of, or during, the financial year ended 30 June 2012 and the audit report thereon.

Directors

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

Director	Appointment date
Mr Ian Ferrier, AM (Independent Chairman)	1 September 2003
Mr Gregory Goodman (Group Chief Executive Officer)	7 August 1998
Mr Philip Fan (Independent Director)	1 December 2011
Mr John Harkness (Independent Director)	23 February 2005
Ms Anne Keating (Independent Director)	23 February 2005
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Jim Sloman, OAM (Independent Director)	1 February 2006
Mr James Hodgkinson (Non-Executive Director)	21 February 2003 (resigned 30 September 2011)

Details of the Directors' qualifications and experience are set out on pages 47 and 48 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 48 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:

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings		Investment Committee meetings		Ad Hoc Board Committee meetings	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Mr Ian Ferrier	8	8	7	7	4	4	–	–	1	1	1	1
Mr Gregory Goodman	8	8	–	–	–	–	–	–	1	1	1	1
Mr Philip Fan[2]	6	6	–	–	–	–	–	–	–	–	–	–
Mr John Harkness	8	8	7	7	–	–	4	4	–	–	1	1
Ms Anne Keating	8	8	–	–	4	4	4	4	–	–	3	3
Ms Rebecca McGrath[2]	3	2	–	–	–	–	–	–	–	–	–	–
Mr Phillip Pryke	8	8	5	5	4	4	–	–	–	–	4	4
Mr Jim Sloman	8	8	–	–	–	–	4	4	1	1	3	3
Mr James Hodgkinson[3]	1	1	2	2	–	–	–	–	–	–	–	–

1. Reflects the number of meetings individuals were entitled to attend. The Directors make themselves available as required but a number of the above meetings were unscheduled with the result that Directors may not have been able to attend the meeting.
2. Mr Philip Fan and Ms Rebecca McGrath were appointed as Directors during the year.
3. Mr James Hodgkinson resigned as a Director on 30 September 2011.

Directors absented themselves from meetings where they had a personal interest in matters being discussed.

Principal activities

The principal activities of Goodman during the course of the financial year were investment in directly and indirectly held industrial property, fund management, property services and development management. The principal markets in which the Consolidated Entity operated during the financial year were Australia and New Zealand, Asia, Continental Europe and the United Kingdom. In June 2012, the Consolidated Entity entered an agreement focused on the development of, and investment in, prime quality logistics and industrial facilities in North America.

Review and results of operations

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

	Consolidated 2012	Consolidated 2011 Restated[1]
Revenue and other income before fair value adjustments on investment properties ($M)	884.3	892.8
Fair value adjustments on investment properties including share of the adjustments for associates and joint venture entities ($M)	60.2	37.0
Revenue and other income ($M)	**944.5**	**929.8**
Profit attributable to Securityholders ($M)	408.3	392.0
Basic profit per security (¢)	27.0	29.5
Dividends and distributions provided for or paid by Goodman ($M)	283.1	250.0
Weighted average number of securities on issue (M)	1,510.2	1,330.3
Net assets ($M)	5,174.6	5,013.9
Number of securities on issue (M)[2]	1,605.1	1,471.7
Net tangible assets per security ($)[3]	2.54	2.45
Net assets per security ($)[3]	3.03	3.02

1. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.
2. Represents amounts as per Australian Securities Exchange (ASX) excluding nil treasury securities (2011 restated: 7.3 million).
3. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.

Dividends and distributions

The Company did not declare any dividends during the financial year ended 30 June 2012 and up to the date of this report (2011: $nil).

Distributions declared/announced by a controlled entity, Goodman Industrial Trust (GIT), directly to Securityholders during the financial year were as follows:

	Distribution Restated[1] cpu	Total amount $M	Date of payment
Distributions for the year ended 30 June 2012			
– 31 Dec 2011	9.00	138.6	28 Feb 2012
– 30 Jun 2012	9.00	144.5	27 Aug 2012
	18.00	**283.1**	
Distributions for the year ended 30 June 2011			
– 31 Dec 2010	7.50	102.8	28 Feb 2011
– 30 Jun 2011	10.00	147.2	26 Aug 2011
	17.50	**250.0**	

1. Restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.

Distributions declared during the financial year by controlled entities, Goodman PLUS Trust and CIC Hybrid Investment Sub-Trust, to holders of hybrid securities were $21.5 million (2011: $22.2 million) and $20.7 million (2011: $38.8 million) respectively.

Reconciliation of operating profit to profit attributable to Securityholders

Whilst operating profit is not an income measure under International Financial Reporting Standards, the Directors consider it is a useful means through which to examine the underlying performance of the business.

The reconciliation of operating profit to profit attributable to Securityholders for the year can be summarised into four groups of reconciling items:

+ property valuation movements (incorporating adjustments in respect of stabilised and development properties held directly on Goodman's balance sheet and also within funds managed by Goodman);
+ non-property related impairments;
+ fair value movements in derivative financial instruments and foreign exchange gains or losses on interest bearing liabilities not qualifying for net investment hedging; and
+ other non-cash or non-recurring items (principally the share based payments expense but also, in the current financial year, a $7.5 million reclassification from the foreign currency translation reserve in relation to the Singapore entities that were wound up during the current financial year).

This summarised reconciliation is as follows:

	Consolidated	
	2012 $M	2011 $M
Operating profit[1]	**463.4**	**383.9**
Adjustments for:		
Property valuation (losses)/gains	(6.6)	16.0
Non-property related impairment losses	(21.5)	(26.2)
Derivative and foreign currency mark to market (losses)/gains	5.1	35.1
Other non-cash or non-recurring losses	(32.1)	(16.8)
Profit attributable to Securityholders	**408.3**	**392.0**

1. Operating profit comprises profit attributable to Securityholders adjusted for property valuations, non-property impairment losses, derivative and foreign currency mark to market and other non-cash or non-recurring items.

The detailed reconciliation, including note references to the financial statements, is set out in the table below:

		Consolidated	
	Note	2012 $M	2011 $M
Operating profit		**463.4**	**383.9**
Valuation adjustments			
– Net gain/(loss) from fair value adjustments on investment properties	11	6.5	(26.4)
– Deferred tax on fair value adjustments on investment properties	6(d)	1.2	–
– Share of net gain from fair value adjustments on investment properties in associates and joint ventures	5	53.7	63.4
– Impairment losses[1]	5	(89.5)	(47.2)
– Fair value gain on derivative financial instruments	5	125.5	66.0
– Share of fair value loss on interest rate swaps in associates and joint ventures	5	(63.9)	(30.9)
– Unrealised foreign exchange losses	5	(56.5)	–
Other adjustments			
– Share based payments expense	5	(24.4)	(12.2)
– Capital (loss)/profit not distributed	21(c)	(7.5)	14.1
– Business combinations transaction costs	24	(3.0)	–
– Straight lining of rent and amortisation of lease incentives		2.7	(0.1)
– Other non cash non-operating items relating to associates	12(a)	0.1	(18.6)
Profit attributable to Securityholders		**408.3**	**392.0**

1. Includes property related impairments of $68.0 million (2011: $21.0 million).

State of affairs

Key changes in Goodman's state of affairs during and subsequent to the financial year were as follows:

(a) Stapled security consolidation

On 12 April 2012, following Securityholder approval at an Extraordinary General Meeting on 30 March 2012, the Consolidated Entity completed the consolidation of every five stapled securities into one stapled security.

(b) Conversion of preference securities issued to China Investment Corporation

On 23 December 2011, China Investment Corporation (CIC) converted $150.0 million preference securities to 68,181,818 (restated) ordinary stapled securities at a price of $2.20 (restated) per stapled security.

On 25 June 2012, CIC converted $125.0 million preference securities to 55,555,555 ordinary stapled securities at a price of $2.25 (restated) per stapled security.

(c) Capital management initiatives

During the year, Goodman continued to focus on capital management initiatives at both a Consolidated Entity and a managed fund level. In particular:

+ following Moody's upgrade to Goodman's senior unsecured rating to Baa2, the Consolidated Entity completed a further issue of US$500.0 million of ten year senior unsecured notes in the United States 144A/Reg S bond market;
+ Goodman European Logistics Fund completed a €351.0 million rights issue and secured a new €800.0 million debt package;
+ Goodman Australia Industrial Fund completed a US$300.0 million United States unsecured note issue to institutional investors with 10 and 12 year maturities;
+ Goodman China Logistics Holding Limited increased its equity commitment to US$500.0 million and secured a new US$100.0 million five year facility; and
+ Arlington Business Parks Partnership (ABPP) completed a five year extension and entered into a new five year £350.0 million banking facility. In facilitating the extension of ABPP, one of the investors sought £48.0 million of liquidity which has been provided by Goodman and another investor and as a consequence Goodman's unitholding in ABPP increased to 43.0%.

(d) Restructure of Goodman

On 30 March 2012, Securityholders at an Extraordinary General Meeting of the Consolidated Entity authorised the Board to undertake an internal restructure of Goodman by adding a new Hong Kong incorporated company, Goodman Logistics (HK) Limited, to the existing Goodman stapled structure and make amendments to the Goodman Constitutions. The proposed restructure using a Hong Kong domiciled company reflects Goodman's evolution of the business, resulting in more active (management) income relative to passive (rental) income in its offshore markets. It is also expected that this will improve access to the global debt and equity capital markets.

As at the date of signature of this Directors' report, all of the conditions for the restructure of Goodman have been satisfied or waived and it is expected that the restructure will be implemented on 22 August 2012.

(e) Employees Provident Fund

On 13 June 2012, Goodman and Malaysia's Employees Provident Fund established a fund in Australia, KWASA Goodman Industrial Trust, with an initial portfolio of approximately A$400.0 million, comprising six stabilised logistics property assets. Goodman holds a 40% interest in the fund and will provide management services to the portfolio on terms generally consistent with arrangements across its existing fund management platform.

(f) North America

During June 2012, Goodman entered into an agreement with California based Birtcher Development & Investments (Birtcher), focused on the development of, and investment in, prime quality logistics and industrial facilities in key locations across North America.

As at the date of signature of this Directors' report, Goodman and the Canada Pension Plan Investment Board (CPPIB) confirmed the launch of a new logistics and industrial partnership called Goodman North America Partnership (GNAP). Goodman and CPPIB have targeted an equity amount of US$890.0 million on a 55/45 basis respectively. Four development sites, which have already been secured by Goodman, are to be offered to GNAP, two in the Inland Empire (Los Angeles area), Oakland (San Francisco Bay area) and Lehigh Valley (Philadelphia), with in excess of 900,000 square metres of gross lettable area and a combined total completion value of more than US$700.0 million (A$700.0 million).

Strategy and outlook

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

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

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

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

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

The growing contribution from the active components of Goodman's business, being its development and management activities, coupled with the strength of its Asian and European businesses and its entry into new markets will ensure the Consolidated Entity is well positioned to achieve solid earnings growth in the year ending 30 June 2013. Accordingly, Goodman is forecasting a full year operating profit of $524 million.

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

Rights and options granted during the financial year

During the financial year, the following rights over unissued securities were granted by the Company to employees under the Long Term Incentive Plan (LTIP):

Date granted	Expiry date	Exercise price $	Rights issued[1]
Equity settled[2]			
25 Nov 11	1 Sep 16	–	980,000
30 Sep 11	1 Sep 16	–	10,459,344

1. The number of performance rights issued has been adjusted for the consolidation of every five stapled securities into one stapled security during the year.
2. Excludes cash settled performance rights issued under the LTIP.

Securities issued on exercise of rights or options

During or since the end of the financial year, no securities were issued as a result of the exercise of rights or options.

Unissued securities under option

Unissued securities under option include the performance rights awarded under the LTIP and options awarded under the Executive Option Plan (EOP).

(a) Performance rights

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

Date granted	Expiry date	Exercise price $	Number of performance rights[1,2]	Performance hurdles[3]
25 Nov 11	1 Sep 16	–	980,000	Relative TSR (25%) and operating EPS (75%)
30 Sep 11	1 Sep 16	–	10,111,344	Relative TSR (25%) and operating EPS (75%)
1 Feb 11	1 Sep 15	–	8,313,350	Relative TSR (25%) and operating EPS (75%)
14 May 10	1 Sep 14	–	8,681,005	Relative TSR (50%) and operating EPS (50%)

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited.
2. The number of performance rights on issue has been adjusted for the consolidation of every five stapled securities into one stapled security during the year.
3. Further details of the relative TSR and operating EPS performance hurdles are disclosed in the remuneration report in this Directors' report.

All performance rights expire on the earlier of their expiry date or one month following the termination of the employee's employment (other than in the event of special circumstances).

(b) Options

During the year, all the options awarded under the EOP were forfeited as the performance hurdles applicable to the options had not been achieved. At the date of signature of this Directors' report, there were no unissued securities under option issued to employees.

Directors' interests

The relevant interest of each Director in the issued capital of Goodman 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 Director's report is as follows:

Directors	Direct securities	Indirect securities	Total
Non-Executive			
Mr Ian Ferrier	102,577	–	102,577
Mr Philip Fan	2,954	–	2,954
Mr John Harkness	69,841	–	69,841
Mr James Hodgkinson[1]	66,746	184,114	250,860
Ms Anne Keating	–	60,974	60,974
Ms Rebecca McGrath	–	–	–
Mr Phillip Pryke	–	108,232	108,232
Mr Jim Sloman	61,394	–	61,394
Executive			
Mr Gregory Goodman	–	45,076,923	45,076,923

1. As at the date of his resignation as a Director.

At 30 June 2012, none of the Non-Executive Directors held any options over unissued securities. At 30 June 2012, Mr Gregory Goodman held 2,490,770 performance rights over securities of Goodman (2011 restated: 1,940,000 options and 1,510,770 performance rights). All the options previously issued to Mr Gregory Goodman were forfeited during the year as the return on equity performance hurdles applicable to the options had not been met.

At 30 June 2012, none of the Directors held a relevant interest in the hybrid securities issued by Goodman PLUS Trust. Mr James Hodgkinson held 2,660 hybrid securities issued by Goodman PLUS Trust at the date of his resignation as a Director.

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

Summary of key Goodman remuneration principles

The Consolidated Entity's remuneration policy is aligned with and supports the business strategy. This strategy revolves around the "own+develop+manage" business model and growing the business in selected new markets in a prudential manner. Where the business is performing optimally, net property income which is relatively stable will be supplemented by stronger active income from management and development. Accordingly, the remuneration policy includes variable "at risk" pay elements that are generally aligned to the active income to meet key performance targets.

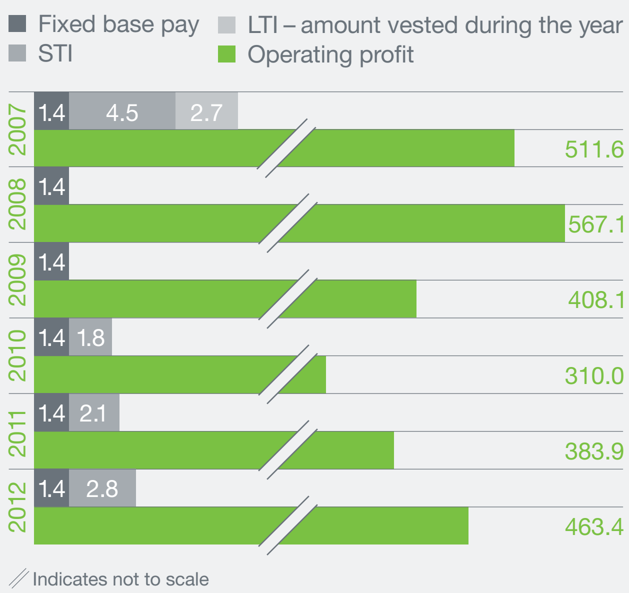
Set out below is a summary of key remuneration principles. A more detailed overview is included later in this report.

+ Remuneration includes a fixed (or base) component, short-term incentives (STI) in the form of discretionary cash bonuses and long-term incentives (LTI) in the form of equity.
+ Fixed pay is set at competitive levels for the market where the role is performed so as to attract and retain suitably qualified or experienced employees.
+ STI are intended to be awarded only when key financial metrics are met or exceeded at a Consolidated Entity level and individual key performance targets are met or exceeded. The Remuneration and Nomination Committee and the Board retain discretion on the final determination of STI awards in cases of exceptional individual or divisional performance, where the Consolidated Entity's financial metrics may not have been met. Conversely, cases may exist where the Consolidated Entity's financial metrics have been achieved and the Board uses its discretion to withhold STI as it did for example in the 2008 and 2009 financial years because of poor total securityholder returns.
+ For employees, effective remuneration each year is the cash amount of the base pay and any STI. There is also the potential for future benefits to be received from grants under the Long Term Incentive Plan (LTIP) but these are subject to longer-term testing periods that require consistent high performance and to the extent that value is received it would be in circumstances of strong returns for Securityholders.
+ The Consolidated Entity's LTIP enhances alignment of the interests of employees and Securityholders through a relative TSR hurdle and cumulative target operating EPS hurdle over a three year period. However, as each grant is split into three tranches, and vesting requires the employee to remain employed by the Consolidated Entity, the effective timeframe of each grant ranges over three to five years and employees remain exposed to the continued consequences of their decisions and actions and security price performance.

Where the business is performing strongly as a result of the contribution of employees, LTI grants are also likely to have a desirable retention effect.

The graph below illustrates the correlation between the components of Group Chief Executive Officer's remuneration, operating profit (refer to page 26 for the reconciliation between operating profit and statutory profit for the current and prior financial years) and TSR over the last six financial years. During that period, the Group Chief Executive Officer's base pay has remained constant, STI has been awarded in four of the last six financial years, being those financial years where both operating profit was on target and TSR was positive. LTI is shown where securities have vested during the financial year and is calculated as the market price of securities on the ASX at close of trading on the date the securities were exercised, after deducting the price paid or payable to exercise the securities. Post 2007, no LTI awards have vested and been exercised as this requires consistent strong performance of the Consolidated Entity over the entire testing period for the relevant performance hurdles. It is noted that LTI will vest during the year ending 30 June 2013 as a result of the consistent strong performance in each of the financial years ended 30 June 2010, 2011 and 2012.

Group Chief Executive Officer remuneration ($M)



The total of the short term remuneration awarded in the form of fixed base pay and STI to Mr Gregory Goodman in respect of the current financial year was $4.2 million (2011: $3.5 million). In respect of the awards made under the LTIP, no cash (2011: $nil) was received by Mr Gregory Goodman during the current financial year.

Directors' remuneration

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

Directors		Short-term: Salary and fees[1] $	Short-term: Bonus[2] $	Short-term: Other[3] $	Short-term: Total $	Post-employment superannuation benefits $	Long-term: Other[3] $	Share based payments: Performance rights[4] $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-Executive											
Mr Ian Ferrier	2012	484,225	–	–	484,225	15,775	–	–	500,000	–	–
	2011	570,801	–	–	570,801	15,199	–	–	586,000	–	–
Mr Philip Fan[5]	2012	106,458	–	–	106,458	–	–	–	106,458	–	–
	2011	–	–	–	–	–	–	–	–	–	–
M John Harkness	2012	201,725	–	–	201,725	15,775	–	–	217,500	–	–
	2011	192,301	–	–	192,301	15,199	–	–	207,500	–	–
Mr James Hodgkinson[6]	2012	88,575	–	–	88,575	3,944	–	–	92,519	–	–
	2011	292,281	–	–	292,281	15,199	–	–	307,480	–	–
Ms Anne Keating	2012	181,725	–	–	181,725	15,775	–	–	197,500	–	–
	2011	176,051	–	–	176,051	15,199	–	–	191,250	–	–
Ms Rebecca McGrath[5]	2012	41,020	–	–	41,020	3,881	–	–	44,901	–	–
	2011	–	–	–	–	–	–	–	–	–	–
Mr Phillip Pryke[7]	2012	255,467	–	–	255,467	15,775	–	–	271,242	–	–
	2011	173,648	–	–	173,648	10,893	–	–	184,541	–	–
Mr Jim Sloman	2012	189,225	–	–	189,225	15,775	–	–	205,000	–	–
	2011	182,301	–	–	182,301	15,199	–	–	197,500	–	–
Executive											
Mr Gregory Goodman	2012	1,355,417	2,750,000	13,500	4,118,917	15,775	24,382	1,998,079	6,157,153	77.1	32.5
	2011	1,395,337	2,100,000	16,142	3,511,479	15,199	24,738	966,399	4,517,815	67.9	21.4

Refer to the following page for explanatory footnotes.

Notes in relation to the table of Directors' remuneration

1. The Non-Executive Directors have not increased their base fees since the 2008 financial year, and in the case of the Chairman of the Board, his fees were reduced during the current financial year. Salary and fees include amounts payable to the Non-Executive Directors for their participation on various Board sub-committees and these sub-committee fees were increased from 1 July 2011.

   Salary and fees represents the amounts due to the Directors under the terms of their service agreements and does not reflect any salary sacrifice elections by the Directors. Salary and fees for Mr Gregory Goodman includes movements in annual leave provisions during the financial year.

2. The bonus awarded to Mr Gregory Goodman is in accordance with the bonus policy and based on both his individual performance and the performance of the Consolidated Entity.

3. Other includes reportable fringe benefits, car parking and per diem allowances and changes in long service leave.

4. For the current and prior financial year, the value attributed to performance rights is based on the Consolidated Entity's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2012.

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

Grant date	Expiry date	Fair value per performance right[1] $	Market price of security[1] $	Expected volatility %	Dividend/ distribution yield per annum %	Average risk free interest rate per annum %
2012						
25 Nov 11	1 Sep 16	2.12	2.90	34.80	5.83	3.09
2011						
1 Feb 11	1 Sep 15	2.80	3.35	29.29	4.95	5.11
2010						
14 May 10	1 Sep 14	3.00	3.35	64.94	5.23	5.04

1. The fair value per performance right and the market price of security have been adjusted for the consolidation of every five stapled securities into one stapled security during the year.

5. The amounts for Mr Philip Fan and Ms Rebecca McGrath relate to the period since their appointment as directors on 1 December 2011 and 3 April 2012 respectively.

6. Salary and fees reported in the current financial year for Mr James Hodgkinson includes an amount of A$16,560 (NZ$21,250) (2011: A$57,480 (NZ$75,000)) due in respect of his role on the board of Goodman (NZ) Limited, the responsible entity of Goodman Property Trust, and A$nil (2011: A$60,000) in respect of his role on the board of Goodman Japan Limited (formerly J-REP Co., Ltd). In the current year, the amounts related to the period until Mr Hodgkinson's resignation as a director of Goodman on 30 September 2011.

7. Salary and fees reported in the current financial year for Mr Phillip Pryke include an amount of A$66,241 (NZ$85,000) (2011: A$46,582 (NZ$60,780)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust. In the prior year, this amount related to the period since Mr Pryke's appointment as a director of Goodman on 13 October 2010.

Executives' remuneration

Details of the nature and amount of each major element of the remuneration of each of the key management personnel (excluding the Directors) are set out below:

Executives		Short-term Salary and fees[1] $	Short-term Bonus[2] $	Short-term Other[3] $	Short-term Total $	Post-employment superannuation benefits $	Long-term Other[3] $	Share based payments Performance rights[4] $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Mr Anthony Rozic	2012	691,437	1,350,000	18,010	2,059,447	15,775	19,577	1,246,976	3,341,775	77.7	37.3
Deputy Chief Executive Officer	2011	678,536	1,200,000	17,256	1,895,792	15,199	17,254	639,692	2,567,937	71.6	24.9
Mr Nick Kurtis	2012	677,036	1,350,000	18,010	2,045,046	15,775	12,198	1,246,976	3,319,995	78.2	37.6
Group Head of Equities	2011	669,891	1,200,000	23,506	1,893,397	15,199	12,369	639,692	2,560,657	71.8	25.0
Mr Nick Vrondas	2012	585,489	1,050,000	16,500	1,651,989	15,775	12,760	905,174	2,585,698	75.6	35.0
Chief Financial Officer	2011	601,633	900,000	17,893	1,519,526	15,199	10,741	448,161	1,993,627	67.6	22.5
Mr Jason Little	2012	420,709	685,000	13,327	1,119,036	15,775	15,712	482,349	1,632,872	71.5	29.5
General Manager Australia	2011	403,844	500,000	4,035	907,879	15,199	18,141	253,065	1,194,284	63.1	21.2
Mr Philip Pearce	2012	572,317	1,600,000	–	2,172,317	1,527	–	493,460	2,667,304	78.5	18.5
Managing Director Greater China	2011	480,818	1,431,977	–	1,912,795	1,559	–	241,074	2,155,428	77.6	11.2
Mr Danny Peeters	2012	679,095	1,391,231	–	2,070,326	–	–	1,288,355	3,358,681	79.8	38.4
Chief Executive Officer Continental Europe	2011	702,226	1,172,519	–	1,874,745	–	–	659,154	2,533,899	72.3	26.0

Notes in relation to the table of Executives' remuneration

1. Salary and fees includes movements in annual leave provisions during the financial year.
2. Bonuses awarded to executives are in accordance with the bonus policy and based on individual performance of executives as well as the overall performance of the Consolidated Entity.
3. Other includes reportable fringe benefits, car parking and per diem allowances and changes in long service leave balances.
4. For the current and prior financial year, the value attributed to performance rights is based on the Consolidated Entity's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2012.

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

Grant date	Expiry date	Fair value per performance right[1] $	Market price of security[1] $	Expected volatility %	Dividend/ distribution yield per annum %	Average risk free interest rate per annum %
2012						
30 Sep 11	1 Sep 16	2.04	2.90	30.50	5.91	3.74
2011						
1 Feb 11	1 Sep 15	2.80	3.35	29.29	4.95	5.11
2010						
14 May 10	1 Sep 14	3.00	3.35	64.94	5.23	5.04

1. The fair value per performance right and the market price of security have been adjusted for the consolidation of every five stapled securities into one stapled security during the year.

Remuneration and Nomination Committee

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

The Committee meets as required to consider and recommend to the Board remuneration policy and to recommend specific remuneration arrangements for Non-Executive Directors, the Group Chief Executive Officer, key management personnel, and senior employees. In addition, the Committee considers general remuneration policy issues which have a bearing upon all employees across the Consolidated Entity.

The Committee is also responsible for the oversight of specific remuneration aspects including STI, LTI, superannuation/pension entitlements, termination payments and remuneration policy review and development. In 2012, the Committee supported and approved the Group's Diversity Strategy and oversaw a succession planning exercise for key operational roles within the Group.

Members of the Committee during the financial year were:

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

The Committee has adequate resources and the appropriate authority to discharge its duties and responsibilities and directly engages with external consultants, proxy advisers and major investors.

The Committee members' attendance record is disclosed on page 24 in this Directors' report.

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

Summary of key Goodman remuneration principles

Set out below is a summary of key remuneration principles. This is followed by a more detailed overview.

+ Remuneration includes a fixed (or base) component, STI in the form of discretionary cash bonuses and LTI in the form of equity.
+ Fixed pay is set at competitive levels for the market where the role is performed so as to attract and retain suitably qualified or experienced employees.
+ STI awards are intended to be made only when key financial metrics are met or exceeded at a Consolidated Entity level. The Committee and the Board retain discretion on the final determination of STI awards in cases of exceptional individual or divisional performance, where financial metrics may not have been met. Conversely, cases may exist where financial metrics have been achieved and the Board uses its discretion to withhold incentives.
+ The Consolidated Entity's LTIP enhances alignment of the interests of employees and Securityholders and serves as a long-term retention mechanism as the effective timeframe from initial date of issue to the vesting of the final tranche is five years.
+ Non-Executive Directors are paid a fixed fee plus consideration for Board Committee responsibilities. The amounts are outlined in the relevant table in this report. The approved Securityholder pool for directors' fees is currently $2.5 million per year; however, the actual remuneration paid to the Non-Executive Directors in the current financial year was $1.6 million (being $0.9 million under the approved amount).

Overview of remuneration policies

The design and introduction of competitive remuneration strategies that effectively incentivise employees and reward superior performance are vital. Goodman's remuneration policies strive to be innovative, to reward exceptional performance, to provide compelling incentive for high performing employees to remain employed with Goodman and to ensure alignment of individual risk taking behaviour with the acceptable standards within the Consolidated Entity. Remuneration packages for executives include a mix of fixed remuneration, short-term performance based remuneration and longer-term equity based remuneration. The remuneration structures are designed to attract and retain suitably qualified candidates and to align executive performance with the objective of increasing Goodman's earnings and TSR.

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

Any STI awards should recognise exceptional performance against clearly outlined and measureable performance criteria. It is important to note that senior management and the Committee retain discretion within the performance bonus methodology to vary any amount of an award based on other relevant factors. LTI provides significant incentive for employees to drive long-term high performance, remain employed with Goodman and ensure optimal alignment of individual objectives with those of Securityholders.

As referred to in 2011, work had been undertaken by Hay Consulting on comparative job sizing for senior roles within Goodman. During the current financial year, the Committee supplemented this analysis by engaging Ernst & Young to provide market data which the Committee used to validate STI and LTI ranges across the Consolidated Entity.

Liaison with proxy advisers and major investors – unaudited

In addition, during the current financial year, the Chairman of the Committee engaged directly with proxy advisers and major investors to understand their viewpoint on issues relating to remuneration. The Committee considers that this is an important aspect of its work and the Committee has evaluated the issues raised in a systematic manner. The most commonly asked questions and the Committee's response to those questions are set out below:

Should STI payments be deferred?

The Committee's view is that awards of STI should not be deferred on the basis that longer-term employee retention and alignment with Securityholder interests are provided for by the LTIP. Furthermore, STI is awarded to recognise the achievement of key performance indicators in relation to a particular financial year and deferral would reduce the effectiveness of such awards.

Should the operating EPS performance hurdle for the LTIP include a stretch component?

In determining the targets for the vesting conditions and acknowledging the significantly enhanced ability to forecast and budget due to the recovery in the business, the Committee recognised that the target performance can be increased to incorporate a stretch component. As a result of these factors and based on internal and external feedback, the Committee determined that the concept of a single operating EPS target provided a sufficient, clear and compelling incentive for employees to outperform and therefore there is no stretch target in the 2011 and 2012 issues of performance rights.

Should the relative TSR and operating EPS performance hurdles under the LTIP allow for graduated vesting of awards?

The Committee considers that an LTIP performance hurdle based on the achievement of a cumulative operating EPS target, which results in the vesting of 100% of the operating EPS tranche on achieving this target but nil vesting if the target is not achieved, provides a compelling incentive for executive management to meet the target given the punitive effect on remuneration where the target is not met. This is also aligned with the likely impact on Securityholder returns if Goodman's operating profit targets are not achieved.

Remuneration policies

Fixed remuneration

Fixed remuneration consists of a base remuneration package which includes cash, non-cash benefits including the full cost of any related fringe benefits tax charges, plus any salary sacrificed employer contributions to superannuation and pension funds. Remuneration levels for senior employees are reviewed annually by the Committee, via recommendation by the Group Chief Executive Officer, through a process that considers individual, divisional and overall performance of the Consolidated Entity and remuneration movements in competitor companies and the wider market. Senior executives' remuneration may also be reviewed by the Committee on individual appointment or in cases where a change in job scope warrants additional remuneration.

Under the Consolidated Entity's remuneration policy for key management personnel, there is an emphasis on performance-linked remuneration. The Board has decided that notwithstanding the considerable change in the size and scale of the business and the role of the Group Chief Executive Officer in recent years, the fixed pay element of his remuneration will again remain unchanged.

Performance-linked remuneration

Employees are reviewed for eligibility to be awarded short-term and long-term performance-linked remuneration annually. It is important to note that senior management and the Committee retain considerable discretion to award performance-linked remuneration in consideration of multiple factors such as individual achievement against key performance indicators, Consolidated Entity or divisional results and general market conditions.

(a) Short-term incentive

The STI is a cash bonus for individual performance compared to objectives set for a relevant financial year. STI is awarded based on performance against key performance indicators and is a clear and more effective element of remuneration when it is paid in a single payment following completion of the consolidated financial statements to which it relates.

The Committee recommends a potential bonus pool based on an assessment of target individual bonuses across the Consolidated Entity, referenced against market data for similar roles. As part of the budgeting process, this bonus pool is incorporated into the determination of target operating profit.

Importantly, the accrual of a bonus pool is fundamentally dependent on meeting a target operating profit (refer to page 31). To the extent achieved, individual allocations are then made based on an assessment by senior executives and the Group Chief Executive Officer of each individual's performance and contribution to the Consolidated Entity's performance and the individual's performance in meeting their key performance indicators. The Committee is responsible for reviewing these recommended allocations, determines allocations for key management personnel and recommends to the Board for approval the allocation to the Group Chief Executive Officer.

As referred to above, STI payments are made to eligible employees upon the achievement of agreed key performance indicators that relate to both financial and non-financial criteria. During the current financial year, key management personnel, including the Group Chief Executive Officer, have been awarded STI reflecting their performance and contribution to the business. The Committee considered that the achievements of the Group Chief Executive Officer and the senior executives in relation to various strategic initiatives, such as sourcing new investment capital, creating strategic partnerships and establishing the North American platform, represented an overall performance that exceeded the agreed key performance indicators, and accordingly additional STI has been awarded relative to that for the 2011 financial year. A summary of the achievements during the year ended 30 June 2012 is set out below:

+ meeting key financial metrics, including Consolidated Entity operating profit;
+ strong development performance in key markets of Europe and Asia;
+ attracting new investment capital such as the establishment of a global relationship with Malaysia's Employee Provident Fund, completing a €351.0 million rights issue in Goodman European Logistics Fund and negotiating a five year fund extension for Arlington Business Parks Partnership;
+ other capital management initiatives in both the Consolidated Entity and the managed funds which allowed gearing and liquidity levels to be maintained within target ranges and the upgrading by Moody's of Goodman issuer and senior unsecured ratings to Baa2. These initiatives included:
  – issuing a further US$500.0 million of ten year senior unsecured notes in the US 144A/Regulation S bond market for the Consolidated Entity;
  – numerous bank refinance initiatives, including a new €800.0 million debt package for Goodman European Logistics Fund; and
  – completing a US$300.0 million private placement issue in Goodman Australia Industrial Fund;
+ implementation of several process improvement initiatives; and
+ enhancing and establishing the Goodman platform and brand in key global markets such as Japan and North America.

(b) Long-term incentive

The LTI provides equity based remuneration through the opportunity to issue either performance rights or options (including cash equivalents in certain jurisdictions). The purpose of LTI is to achieve enhanced alignment of the interests of employees and Securityholders by matching rewards under LTI with the long-term growth and prosperity of Goodman and all employees of Goodman are eligible to participate.

The LTIP, which provides for the issue of performance rights, was approved at the Annual General Meeting on 30 November 2009. Each performance right issued under the LTIP entitles an employee to acquire a Goodman stapled security for nil consideration subject to the achievement of performance hurdles over a three year period (refer below). In order to derive the full benefits of an award, an employee must remain employed over a five year vesting period. The LTIP also provides for the issue of options, though this has not been utilised to date. If options were to be issued, it would entitle an employee to acquire a Goodman stapled security on payment of the exercise price for the option, subject to the vesting conditions having been satisfied.

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

At this stage, the Committee does not intend to deviate from its policy of issuing performance rights rather than options. The benchmarking of LTI ranges provided by Ernst & Young in the current financial year indicated that performance rights are the most common form of LTI amongst listed companies within Australia.

Number of performance rights

In calculating the number of performance rights issued to the Group Chief Executive Officer and the senior executives, the Board allocates a notional value to each of the executives and the derives a number of performance rights using an adjusted five day volume-weighted average price (VWAP) immediately following the approval of the prior year's financial report.

LTI performance hurdles

The LTIP uses two different performance hurdles tested over a three year financial period following the award of performance rights.

One performance hurdle is based on operating EPS. Operating EPS is based on the operating profit and is determined on a fully diluted basis having regard to exchangeable securities on issue. It is assessed by the achievement of an aggregate operating EPS over three consecutive financial years. This hurdle measures the direct contribution of employees to the financial performance of Goodman. Strong performance in operating EPS generally correlates with stronger returns to Securityholders through distributions and security price increases, but this may be impacted by other market factors and conditions.

A further performance hurdle is relative TSR, which aligns vesting outcomes for employees with the returns to Securityholders assessed against a comparator group. Goodman continues to consider that the S&P/ASX 200 index remains the most appropriate comparator group on the basis that it is sufficiently broad to include a sample of businesses with geographic diversity and business complexity to compare with the Consolidated Entity's performance.

The issue of the appropriate comparator groups has been discussed by the Committee in 2012 following proxy adviser and major investor feedback. The Committee considers that the A-REIT index should not be adopted, as it does not reflect the breadth of the global fund management and development businesses of the Consolidated Entity. The Committee also considers that Goodman competes for investment capital alongside the companies within the ASX 200 and therefore should be compared with this group.

To ensure further long-term alignment and retention, vesting is in three equal tranches in years three, four and five, assuming that the performance hurdles have been achieved and the individual remains employed by Goodman.

For the 2012 issue, the weighting of the performance hurdles has been maintained such that 75% of each award is tested against operating EPS and 25% against relative TSR.

Under the terms of the LTIP and decisions made by the Board in accordance with the plan, issues of performance rights to employees during the current financial year are subject to the following broad terms and conditions:

+ the exercise of performance rights will be conditional on the Consolidated Entity achieving:
  – a TSR in excess of that achieved by 50% of listed entities in the S&P/ASX 200 index; and/or
  – a cumulative operating EPS outcome at least at the target level notified to the market over a three year 'testing period';
+ 100% vesting of the relative TSR tranche (25% of total) will occur where Goodman achieves a TSR score over three years at or above the 76th percentile of that achieved by S&P/ASX 200 entities; nil vesting will arise if a TSR score at or less than the 50th percentile is achieved; 50% vesting will arise if a TSR score at the 51st percentile is achieved; and proportional vesting will arise for scores between the 51st and 75th percentiles;
+ 100% vesting of the operating EPS tranche (75% of total) will occur if Goodman achieves an aggregate annual operating EPS target over the three year vesting period; and nil vesting applies if the aggregate annual target earnings is not achieved over the three year vesting period;
+ subject to the above hurdles, performance rights vest in three equal tranches approximately three, four and five years after grant and for the award relating to performance in the year to June 2012 following results on 1 September 2013, 2 September 2014 and 3 September 2015;
+ continued employment by the employee (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement); and
+ 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).

In addition, under a sub-plan, the majority of Australian based employees are also permitted to receive up to $1,000 of restricted Goodman stapled securities under guidelines issued by the Australian Taxation Office. The allotment of these securities was made under the Goodman Tax Exempt Plan, as approved by the Board.

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

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

Remuneration and past financial performance

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

The Consolidated Entity reported an operating profit for the current financial year of $463.4 million, compared to previous financial year of $383.9 million, and the 2010 financial year of $310.0 million.

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

		2012	2011 Restated[1]	2010 Restated[1]	2009 Restated[1]	2008 Restated[1]
TSR[2] – unaudited	%	7.3	16.8	99.2	(86.0)	(50.1)
Operating EPS[3] – unaudited	cents	30.5	28.5	26.5	87.0	170.0

1. The operating EPS for the financial years prior to 2012 have been adjusted for the consolidation of securities. Details of the consolidation are set out in note 20 to the consolidated financial report.
2. The TSR (sourced from Bloomberg) is based on the distributions paid to Securityholders and the security price movement during each financial year and assumes Securityholders reinvested distributions. The calculated TSR is compared to the TSR of other entities in the S&P/ASX 200 for the purpose of determining the relative TSR performance hurdle under the LTIP.
3. Operating EPS is the operating profit divided by the weighted average number of securities in issue during the year.

As can be seen from the table setting out historical performance for TSR and operating EPS over the past five financial years for the Consolidated Entity, TSR was negatively impacted, particularly by the financial markets events of the 2009 financial year. With Goodman's strategic initiatives and recapitalisation, announced in August 2009, TSR rebounded in the 2010 financial year and operating EPS was rebased from which a recovery has commenced, evidenced by performance in the current and prior financial years.

The impact of these events and the Consolidated Entity's performance have been taken into account by the Board, the Committee and senior management in determination of remuneration policy and its application in respect of fixed, STI and LTI elements. In summary, in response to greater market uncertainty fixed costs have been kept as tight as reasonably possible, and STI has only been paid to senior executives when earnings targets have been met and Securityholders enjoyed positive returns. LTI awards granted in the 2009 and prior financial years have either been forfeited or will lapse as performance conditions were not met.

Impact on fixed pay

The Consolidated Entity responded to the increasing market uncertainty and TSR losses that arose in the 2008 and 2009 financial years by focusing on the fixed cost element in the business. Since that time, the executive key management personnel and other senior executives (including the Group Chief Executive Officer) have not had increases in fixed pay unless a significant change to their role and responsibilities has occurred. Similarly, the Non-Executive Directors have not increased their base fees since the 2008 financial year, and in the case of the Chairman of the Board, his fees were reduced during the current financial year.

Impact on STI

A key determinant of bonus pools for allocation to individuals during the period was the generation of operating profit to at least the target level. Despite having met the operating profit target, it was determined that no STI should be paid to senior executives for the 2008 financial year having regard to the TSR in that year. Nor was STI paid in the 2009 financial year having regard to operating profit target and TSR.

Since the 2010 financial year, the Consolidated Entity has met or exceeded operating profit targets for the creation of bonus pools and senior executives have been awarded and paid STI. Over this period, Securityholders have also benefited as evidenced by TSR.

Impact on LTI

LTIP grant for the 2010 financial year

As discussed above, 50% of the grant for the 2010 financial year (FY10) is tested against an operating EPS hurdle and 50% against a relative TSR hurdle. The performance period for each hurdle was the three years from 1 July 2009 to 30 June 2012 and accordingly the Board reports on the satisfaction of these hurdles.

A feature of the FY10 LTIP award was to incorporate a target and "stretch target" in the operating EPS tranche. The stretch target was included in the 2010 financial year to reflect, in part, the volatility and uncertainty in the market and the way the business would respond to this. However, as the business normalised, it became apparent that the stretch target undermined the operating EPS target and created ambiguity.

In respect of the operating EPS tranche, the actual performance over the performance testing period is set out below:

Cumulative to date[1] – unaudited	Target operating EPS cents	Stretch operating EPS cents	Actual operating EPS cents
As at 30 June 2010	26.00	27.00	26.25
As at 30 June 2011	53.50	55.00	54.55
As at 30 June 2012	83.50	85.00	85.05

1. The comparative operating EPS figures have been adjusted for the consolidation of securities. Details of the consolidation are set out in note 20 to the consolidated financial report.

As the three year aggregate operating EPS to 30 June 2012 was greater than the operating EPS including stretch, 100% of the performance rights relating to the operating EPS tranche will vest in the period from September 2012 to September 2014, subject to executives remaining employed by Goodman.

In respect of the relative TSR tranche, the Consolidated Entity is assessed against the S&P/ASX 200 and over the three year period from 1 July 2009 to 30 June 2012, the Consolidated Entity provided a TSR of 31.6% per annum which placed it at the 89th percentile. This has resulted in the relative TSR performance hurdle being achieved, such that 100% will vest over the period from September 2012 to September 2014, subject to executives remaining employed by Goodman.

Accordingly, based on the achievement of both the operating EPS and relative TSR performance hurdles, 100% of the FY10 grant of performance rights will vest into Goodman securities, and will be delivered to eligible employees in three tranches on an annual basis commencing from 3 September 2012. Employees must be employed on each of the three delivery dates in September 2012, 2013 and 2014 respectively to retain entitlement to the vested Goodman securities.

LTIP grant for the 2011 financial year

As discussed above, 75% of the grant for the 2011 financial year (FY11) is tested against an operating EPS hurdle and 25% against a relative TSR hurdle. The performance period for each hurdle is the three years from 1 July 2010 to 30 June 2013 and accordingly the Board reports on progress for the two completed financial years to date.

In determining the targets for the vesting conditions and acknowledging the significantly enhanced ability to forecast and budget due to the recovery in the business, the Committee recognised that the target performance can be increased to incorporate a stretch component. As a result of these factors and based on internal and external feedback, the Committee determined that the concept of a single operating EPS target provided a sufficient, clear and compelling incentive for employees to outperform and therefore there is no stretch target in the 2011 and 2012 issues of performance rights.

In respect of the operating EPS tranche, the actual operating EPS for FY11 was 28.3 cents against a target operating EPS of 27.5 cents and the actual operating EPS for the 2012 financial year (FY12) was 30.5 cents against a target operating EPS of 30.0 cents. If the aggregate over the three financial years is above the target over the three financial years, 100% of that tranche will vest. However, this remains subject to meeting the operating EPS target of 32.3 cents for the year ending 30 June 2013 (FY13).

In respect of the relative TSR tranche, the Consolidated Entity is assessed against the S&P/ASX 200 and over the two year period from 1 July 2010 to 30 June 2012, the Consolidated Entity provided a TSR of 12.7% per annum which would place it at the 70th percentile. If this was the final assessment it would result in 88% vesting of that tranche. However, as noted above, the relative TSR tranche is assessed against the performance over the three financial years so the final outcome will depend on the Consolidated Entity's performance against the market in FY13.

LTIP grant for the 2012 financial year

As discussed above, 75% of the FY12 grant is tested against an operating EPS hurdle and 25% against a relative TSR hurdle. The performance period for each hurdle is the three years from 1 July 2011 to 30 June 2014 and accordingly the Board reports on progress for the first completed year to date.

In respect of the operating EPS tranche, for FY12 the actual operating EPS was 30.5 cents against a target operating EPS of 30.0 cents. If the aggregate over the three financial years is above the target over the three financial years, 100% of that tranche will vest. However, this remains subject to meeting the operating EPS target of 32.3 cents for FY13 and the target to be set for the year ending 30 June 2014 (FY14).

In respect of the relative TSR tranche, the Consolidated Entity is assessed against the S&P/ASX 200 and over the one year period from 1 July 2011 to 30 June 2012, the Consolidated Entity provided a TSR of 7.3% per annum which would place it at the 68th percentile. If this was the final assessment, it would result in 84% vesting of that tranche. However, as noted above, the relative TSR tranche is assessed against the performance over the three financial years so the final outcome will depend on the Consolidated Entity's performance against the market in FY13 and FY14.

Service agreements

Senior executives

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

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

As at the date of signature of this Directors' report, the notice periods of the Group Chief Executive Officer and the named executives are as follows:

	Notice period	
	Company	**Employee**
Executive director		
Mr Gregory Goodman	12 months	12 months
Executives		
Mr Anthony Rozic	6 months	6 months
Mr Nick Kurtis	6 months	6 months
Mr Nick Vrondas	6 months	6 months
Mr Jason Little	6 months	6 months
Mr Philip Pearce	6 months	6 months
Mr Danny Peeters	12 months	12 months

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

Non-Executive Directors

Total remuneration payable by Goodman to all Non-Executive Directors in aggregate, must not exceed $2.5 million per annum, being the amount approved by Shareholders at the Annual General Meeting of the Company on 16 November 2006. Remuneration is determined on the basis of benchmarking data from external advisers about fees paid to non-executive directors of comparable companies.

The fees payable to Non-Executive Directors have not increased since 1 July 2007 and from 1 July 2011, the Chairman agreed that his fees should be reduced from $586,000 per annum to $500,000 per annum, with no additional amounts paid for Board Committee membership. During the year ended 30 June 2012, the Consolidated Entity appointed two new Non-Executive Directors and one Non-Executive Director resigned. Non-Executive Directors' fees for the financial year were $1.6 million (2011: $1.8 million) which takes into account amounts paid for committee membership, chairing of committees and compulsory contributions to superannuation. All Non-Executive Directors must act as a member of at least one Board Committee.

While Non-Executive Directors are not entitled to participate in any STI or LTI schemes, the Consolidated Entity does have a Directors' Securities Acquisition Plan under which Directors are required to accumulate a significant long-term holding of stapled securities equal in value to twice their annual base fees. The value of securities for this purpose equals the higher of purchase cost or market value at the end of each financial year. This holding may be acquired at any time but where not held at the beginning of a financial year, 25% of net base fees during the financial year must be applied to the on-market purchase of securities.

Analysis of bonuses included in the remuneration

Details of the Consolidated Entity's policy in relation to the proportion of remuneration that is performance related is discussed on pages 37 to 39. No bonuses were forfeited during the financial year. Bonuses may not be paid in the event that an individual ceases employment through resignation.

Share based payments included as remuneration

Share based payments in the financial report refer to three types of share schemes that the Consolidated Entity has used since 2005. These schemes are:

+ performance rights over Goodman stapled securities issued under the LTIP. These rights have been issued in both the current and prior financial year;
+ options over Goodman stapled securities issued under the EOP. Options under the EOP were issued to employees in the 2008 and 2009 financial years but the return on equity performance hurdles attached to these options have not been achieved. No options were granted either during or since the end of the current financial year; and
+ Goodman stapled securities issued under the Employee Securities Acquisition Plan (ESAP). As the interest bearing loans granted to employees under the ESAP are limited recourse, the value of this feature of the loan is accounted for as an option. Securities under the ESAP were issued to employees in the 2006 to 2008 financial years. All the securities granted under the ESAP were either forfeited in the current financial year as the performance hurdles attached to the securities had not been achieved or expired.

Performance rights over Goodman stapled securities

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

	Number of performance rights granted[1]	Grant date	Fair value per performance right[1,2] $	Expiry date	Number of performance rights vested
Executive Director					
Mr Gregory Goodman	980,000	25 Nov 11	2.12	1 Sep 16	–
Executives					
Mr Anthony Rozic	520,000	30 Sep 11	2.04	1 Sep 16	–
Mr Nick Kurtis	520,000	30 Sep 11	2.04	1 Sep 16	–
Mr Nick Vrondas	360,000	30 Sep 11	2.04	1 Sep 16	–
Mr Jason Little	200,000	30 Sep 11	2.04	1 Sep 16	–
Mr Philip Pearce	200,000	30 Sep 11	2.04	1 Sep 16	–
Mr Danny Peeters	520,000	30 Sep 11	2.04	1 Sep 16	–

1. The number of performance rights granted and the fair value per performance right have been adjusted for the consolidation of securities. Details of the consolidation are set out in note 20 to the consolidated financial report.
2. Fair value determined at the grant date.

Goodman stapled securities are automatically issued to employees when the performance rights vest. Performance rights will expire on termination of the individual's employment (subject to special circumstances). For performance rights granted during the current financial year, the earliest vesting date is 1 September 2014.

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

The Committee intends to make an award under the LTIP to eligible employees in the first quarter of the financial year ending 30 June 2013. The estimated number of performance rights to be awarded to the Group Chief Executive Officer and each of the named executives is as follows:

	Estimated number of performance rights[1]
Executive Director	
Mr Gregory Goodman	1,000,000
Executives	
Mr Anthony Rozic	500,000
Mr Nick Kurtis	500,000
Mr Nick Vrondas	430,000
Mr Jason Little	250,000
Mr Philip Pearce	320,000
Mr Danny Peeters	500,000

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

Options over Goodman stapled securities issued under the EOP

All options expire on the earlier of their expiry date or termination of the individual's employment (subject to special circumstances). The options are exercisable in three equal tranches from the end of each of years three, four and five after the grant date. As the performance hurdles have not been met, all options under the EOP have been forfeited.

Goodman stapled securities issued under the ESAP

The offers under the ESAP expire on the earliest of performance conditions not being met, their expiry date or termination of the individual's employment (subject to special circumstances).

All securities under the ESAP were either forfeited or expired unexercised during the current financial year.

Modification of terms of equity settled share based payment transactions

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

Exercise of options and rights over Goodman stapled securities

No rights under the LTIP, no options under the EOP and no securities under the ESAP previously granted as compensation were exercised in the financial year by the key management personnel.

Analysis of options and rights over Goodman stapled securities

Details of vesting profiles of the performance rights **granted under the LTIP** as remuneration to the key management personnel are detailed below:

	Number of performance rights granted[1]	Date performance rights granted	% vested in the year	% forfeited	Financial years in which grant vests
Executive Director					
Mr Gregory Goodman	980,000	25 Nov 11	–	–	2015 – 2017
	730,770	1 Feb 11	–	–	2014 – 2016
	780,000	14 May 10	–	–	2013 – 2015
Executives					
Mr Anthony Rozic	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
	520,834	14 May 10	–	–	2013 – 2015
Mr Nick Kurtis	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
	520,834	14 May 10	–	–	2013 – 2015
Mr Nick Vrondas	360,000	30 Sep 11	–	–	2015 – 2017
	293,700	1 Feb 11	–	–	2014 – 2016
	416,667	14 May 10	–	–	2013 – 2015
Mr Jason Little	200,000	30 Sep 11	–	–	2015 – 2017
	200,000	1 Feb 11	–	–	2014 – 2016
	193,750	14 May 10	–	–	2013 – 2015
Mr Philip Pearce	200,000	30 Sep 11	–	–	2015 – 2017
	153,847	1 Feb 11	–	–	2014 – 2016
	229,167	14 May 10	–	–	2013 – 2015
Mr Danny Peeters	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
	554,436	14 May 10	–	–	2013 – 2015

1. The number of performance rights granted has been adjusted for the consolidation of every five stapled securities into one stapled security during the year.

None of the performance rights granted under the LTIP vested during the current financial year.

The options **granted under the EOP** as remuneration to the key management personnel were forfeited during the year as the performance hurdles were not achieved:

	Number of options granted[1]	Date options granted	% vested in the year	% forfeited[2]	Financial years in which grant vests
Executive Director					
Mr Gregory Goodman	1,400,000	17 Nov 08	–	100	2011 – 2013
	540,000	26 Nov 07	–	100	2011 – 2013
Executives					
Mr Anthony Rozic	700,000	5 Sep 08	–	100	2011 – 2013
	300,000	19 Oct 07	–	100	2011 – 2013
Mr Nick Kurtis	700,000	5 Sep 08	–	100	2011 – 2013
	300,000	19 Oct 07	–	100	2011 – 2013
Mr Nick Vrondas	600,000	5 Sep 08	–	100	2011 – 2013
	250,000	19 Oct 07	–	100	2011 – 2013
Mr Jason Little	300,000	5 Sep 08	–	100	2011 – 2013
	100,000	19 Oct 07	–	100	2011 – 2013
Mr Philip Pearce	300,000	5 Sep 08	–	100	2011 – 2013
	100,000	19 Oct 07	–	100	2011 – 2013
	100,000	10 Apr 07	–	100	2010 – 2012
	70,000	14 Jun 06	–	100	2009 – 2011
Mr Danny Peeters	300,000	5 Sep 08	–	100	2011 – 2013
	40,000	19 Oct 07	–	100	2011 – 2013
	200,000	10 Apr 07	–	100	2010 – 2012
	300,000	13 Oct 06	–	100	2010 – 2012

1. The number of options granted has been adjusted for the consolidation of securities. Details of the consolidation are set out in note 20 to the consolidated financial report.
2. The % forfeited represents the reduction during the financial year from the maximum number of options available to vest due to the return on equity performance hurdles not being achieved.

The securities **granted under the ESAP** as remuneration to the key management personnel were either forfeited in the current financial year because the performance hurdles were not met or expired unexercised:

	Number of securities granted[1]	Date securities granted	% vested in the year	% forfeited[2]	Financial years in which grant vests
Executive Director					
Mr Gregory Goodman	400,000	26 Nov 07	–	100	2010 – 2012
	400,000	22 Nov 06	–	100	2009 – 2011
	391,198	3 Nov 05	–	67	2008 – 2010
Executives					
Mr Anthony Rozic	200,000	10 Apr 07	–	100	2010 – 2012
	200,000	14 Jun 06	–	100	2009 – 2011
	146,699	3 Nov 05	–	67	2008 – 2010
Mr Nick Kurtis	190,000	10 Apr 07	–	100	2010 – 2012
	200,000	14 Jun 06	–	100	2009 – 2011
	146,699	3 Nov 05	–	67	2008 – 2010
Mr Nick Vrondas	40,000	10 Apr 07	–	100	2010 – 2012
	200,000	13 Apr 06	–	100	2009 – 2011
Mr Jason Little	400,000	10 Apr 07	–	100	2010 – 2012
	50,000	14 Jun 06	–	100	2009 – 2011
	97,800	3 Nov 05	–	67	2008 – 2010

1. The number of securities granted under the ESAP has been adjusted for the consolidation of securities. Details of the consolidation are set out in note 20 to the consolidated financial report.
2. The % forfeited represents the reduction during the financial year from the maximum number of securities available to vest due to the performance hurdles not being achieved. The remaining securities issued under the ESAP on 3 November 2005 have expired unexercised.

Analysis of movements in options and rights over Goodman stapled securities granted as compensation

The movements during the financial year, by value, of performance rights granted under the LTIP to the Executive Director and each of the named senior executives are detailed below:

Long Term Incentive Plan	Value of performance rights issued in the year[1] $	Value of performance rights exercised in the year $	Value of performance rights lapsed in the year $
Executive Director			
Mr Gregory Goodman	2,077,600	–	–
Executives			
Mr Anthony Rozic	1,060,800	–	–
Mr Nick Kurtis	1,060,800	–	–
Mr Nick Vrondas	734,400	–	–
Mr Jason Little	408,000	–	–
Mr Philip Pearce	408,000	–	–
Mr Danny Peeters	1,060,800	–	–

1. The value of performance rights under the LTIP issued in the financial year was the fair value of the performance rights calculated at grant date using a combination of the standard Black Scholes model with a continuous dividend yield and a Monte Carlo model which simulated total returns for each of the ASX 200 stocks, and discounted the future value of any potential future vesting performance rights to arrive at a present value.

During the financial year, there were no issues or exercises of either options under the EOP or securities under the ESAP to the key management personnel.

The values of the options under the EOP that lapsed during the financial year were $nil, as the exercise prices of the various grants were significantly greater than the security price at the date the options lapsed.

The values of the securities granted under the ESAP that lapsed during the financial year were $nil, as the exercise prices of the various grants were significantly greater than the security price at the date the securities under the ESAP lapsed.

Environmental regulations

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

Indemnification and insurance of officers and auditors

Goodman has insured current and former directors and officers of the Consolidated Entity in respect of directors' and officers' liability and legal expenses. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of those contracts. The auditors of the Consolidated Entity are not indemnified in any way by this insurance cover.

Non-audit services

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

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

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

	Consolidated	
	2012 $000	2011 $000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	1,154.2	1,078.7
– Audit and review of financial reports (overseas KPMG firms)	829.0	766.7
	1,983.2	**1,845.4**
Other regulatory services		
– Other regulatory services (KPMG Australia)	112.4	64.0
– Other regulatory services (overseas KPMG firms)	–	11.0
Other assurance services		
– Investigative accounting services (KPMG Australia)	495.2	487.6
Taxation services		
– Taxation compliance services (KPMG Australia)	204.3	164.4
– Taxation compliance services (overseas KPMG firms)	124.5	189.1
– Other taxation advice (KPMG Australia)	105.3	8.9
– Other taxation advice (overseas KPMG firms)	138.4	142.2
	1,180.1	**1,067.2**
Total paid/payable to KPMG	**3,163.3**	**2,912.6**
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	**42.1**	**80.2**

Qualifications, experience and special responsibilities of Directors and Company Secretary

Board of Directors

Mr Ian Ferrier, AM – Independent Chairman
Appointed 1 September 2003

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of The Institute of Chartered Accountants in Australia and has 47 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 InvoCare Limited (since March 2001) and Australian Vintage Ltd (a director since November 1991) and a director of EnergyOne Limited (since January 2007) and Reckon Limited (since August 2004). His experience is essentially concerned with understanding the financial and other issues confronting companies which require turnaround management, analysing those issues and implementing policies and strategies which lead to a successful rehabilitation. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Mr Gregory Goodman – Group Chief Executive Officer
Appointed 7 August 1998

Gregory is responsible for Goodman's overall operations and the implementation of its strategic plan. He has 30 years of experience in the property industry with significant expertise in the industrial property arena. Gregory was a co-founder of Goodman, playing an integral role in establishing its specialist global position in the property market through various corporate transactions, including takeovers, mergers and acquisitions. He is a director of Goodman (NZ) Limited (the manager of the New Zealand Exchange listed Goodman Property Trust), the Tokyo Stock Exchange listed Goodman Japan Limited, and the management companies of Goodman's unlisted funds and many of its subsidiaries.

Mr Philip Fan – Independent Director
Appointed 1 December 2011

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

Philip holds a Bachelors Degree in Industrial Engineering and a Masters Degree in Operations Research from Stanford University, as well as a Masters Degree in Management Science from Massachusetts Institute of Technology.

Mr John Harkness – Independent Director
Appointed 23 February 2005

John is a Fellow of The Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since leaving KPMG in June 2000, John has held a number of non-executive director roles. He is currently the 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) and a director of Sinclair Knight Merz Management Pty Limited (since 2010). He was formerly a director of Crane Group Limited (from September 2000 to December 2010). John is Vice President of Northern Suburbs Rugby Football Club Limited, a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army and the Chairman of the Sydney Foundation for Medical Research.

Ms Anne Keating – Independent Director
Appointed 23 February 2005

Anne is a non-executive director with board positions in a range of industries. She is a director of the management companies of the Ardent Leisure Group (since March 1998), REVA Medical, Inc. (since October 2010), ClearView Wealth Limited (since November 2010) and GI Dynamics, Inc. (since June 2011). Anne was formerly a director of STW Communications Group Limited (from May 1995 to February 2011) as well as Spencer Street Station Redevelopment Holdings Limited and Insurance Australia Group Limited.

Anne is also a director of the Garvan Institute of Medical Research, a member of the Advisory Council of RBS Group (Australia) Pty Ltd and 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
Appointed 3 April 2012

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

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

Mr Phillip Pryke – Independent Director
Appointed 13 October 2010

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

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

Mr Jim Sloman, OAM – Independent Director
Appointed 1 February 2006

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 and 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 is a Principal of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team, that is working as an adviser to both the London 2012 and the Rio de Janeiro 2016 Olympic Games. 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. Jim was a director of Prime Infrastructure Holdings Limited (from February 2010 to December 2010) and Prime Infrastructure RE Limited (from February 2010 to December 2010) (the management company of Prime Infrastructure Trust). With his range of experience, Jim brings significant property, construction and major projects expertise to Goodman.

Mr James Hodgkinson – Non-Executive Director
Appointed 21 February 2003
Resigned 30 September 2011

James is a Senior Investment Banker with real estate specialisation, most recently, as an Executive Director of Macquarie Group. James has extensive experience as Principal in the establishment, strategy and growth of a number of both listed and unlisted investment vehicles and operating businesses in Australia, Asia and North America. James was also Chief Executive Officer of Macquarie Industrial Trust for six years prior to that trust's merger with GIT. He is a director of Goodman Japan Limited and was until July 2012 a director of Goodman (NZ) Limited, the manager of the New Zealand Exchange listed Goodman Property Trust.

James is an alumni director of the Macquarie Foundation and is active in the 'not for profit' sector. He has initiated and assisted in the fund raising initiatives and strategic support of a number of community based organisations, including as a Founding Governor of the Cerebral Palsy Foundation and as Founder and Chairman of the Cerebral Palsy Alliance of NSW's 20/Twenty Challenge.

James has a Bachelor of Economics Degree, is a Certified Practising Accountant and is a Fellow of the Australian Property Institute.

Company Secretary

Mr Carl Bicego – Company Secretary
Appointed 24 October 2006

Carl is the Company Secretary of the Company and its Australian subsidiaries, as well as Legal Counsel – Head of Corporate in Australia. He has over 14 years of legal experience in corporate law and joined Goodman from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons).

Events subsequent to balance date

In the opinion of the Directors, other than the update on the internal restructure of Goodman and the announcement regarding the new logistics and industrial partnership with CPPIB, referred to in the State of affairs section of the Directors' report on page 27, there were no events subsequent to balance date, and up to the date of signature of this Directors' report, that would require adjustment or disclosure in the consolidated financial report.

Declaration by the Group Chief Executive Officer and Group Chief Financial Officer

The Group Chief Executive Officer and Group Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2012 have been properly maintained and the financial report for the year ended 30 June 2012 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 50 and forms part of this Directors' report for the financial year.

Rounding

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

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

Ian Ferrier, AM
Independent Chairman

Gregory Goodman
Group Chief Executive Officer

Sydney, 10 August 2012

Lead auditor's independence declaration

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

To: The directors of Goodman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stuart Marshall
Partner

Sydney, 10 August 2012

Consolidated statement of financial position

as at 30 June 2012

	Note	Consolidated 30 Jun 2012 $M	Consolidated 30 Jun 2011 $M
Current assets			
Cash	26(a)	310.8	227.8
Receivables	8	164.3	226.5
Inventories	9	194.3	216.2
Current tax receivables	6(c)	0.1	0.8
Other assets	10	121.3	11.5
Total current assets		**790.8**	**682.8**
Non-current assets			
Receivables	8	364.4	186.0
Inventories	9	601.0	268.7
Other assets	10	67.5	31.0
Investment properties	11	2,674.5	2,924.7
Investments accounted for using the equity method	1(b),12	2,893.4	2,597.4
Deferred tax assets	6(d)	18.8	13.8
Other financial assets	13	13.6	25.7
Plant and equipment	14	12.7	6.9
Intangible assets	15	783.2	827.9
Total non-current assets		**7,429.1**	**6,882.1**
Total assets		**8,219.9**	**7,564.9**
Current liabilities			
Payables	16	259.5	214.6
Current tax payables	6(c)	29.9	26.1
Interest bearing liabilities	17	42.5	–
Employee benefits	18	44.4	40.5
Provisions	19	145.6	163.8
Total current liabilities		**521.9**	**445.0**
Non-current liabilities			
Payables	16	167.7	156.3
Interest bearing liabilities	17	2,305.0	1,913.8
Deferred tax liabilities	6(d)	6.3	5.6
Employee benefits	18	33.7	17.9
Provisions	19	10.7	12.4
Total non-current liabilities		**2,523.4**	**2,106.0**
Total liabilities		**3,045.3**	**2,551.0**
Net assets		**5,174.6**	**5,013.9**
Equity attributable to Shareholders			
Issued capital	20	413.1	373.8
Reserves	21	(344.6)	(282.0)
Retained earnings/(accumulated losses)	22	8.9	(334.3)
Total equity attributable to Shareholders		**77.4**	**(242.5)**
Equity attributable to Unitholders (non-controlling interests)			
Issued capital	20	6,950.3	6,681.3
Reserves	21	(2,028.4)	(2,093.0)
(Accumulated losses)/retained earnings	22	(143.5)	95.0
Total equity attributable to Unitholders		**4,778.4**	**4,683.3**
Total equity attributable to Securityholders		**4,855.8**	**4,440.8**
Other non-controlling interests	23	318.8	573.1
Total equity		**5,174.6**	**5,013.9**

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

Consolidated income statement

for the year ended 30 June 2012

	Note	Consolidated 2012 $M	2011 $M
Revenue			
Gross property income		235.7	225.1
Fund management income		76.5	64.0
Property services income		62.7	56.9
Development income		216.7	210.5
Income from disposal of inventories		79.1	112.8
Distributions from investments		22.2	27.1
		692.9	**696.4**
Property and development expenses			
Property expenses		(61.7)	(58.6)
Development expenses		(146.8)	(159.3)
Inventory cost of sales		(69.2)	(103.6)
		(277.7)	(321.5)
Other income			
Net gain/(loss) from fair value adjustments on investment properties	11	6.5	(26.4)
Net gain on disposal of investment properties	5	14.3	0.8
Net gain on disposal of controlled entities	5	44.3	17.9
Share of net results of equity accounted investments	5	166.6	174.5
Net gain on disposal of equity investments	5	19.9	66.6
		251.6	**233.4**
Other expenses			
Employee expenses		(87.3)	(83.6)
Share based payments expense	5,18(b)	(24.6)	(12.2)
Administrative and other expenses		(60.8)	(53.9)
Acquisition related costs	24	(3.0)	–
Impairment losses	5	(89.5)	(47.2)
		(265.2)	**(196.9)**
Profit before interest and tax		**401.6**	**411.4**
Net finance income			
Finance income	5	136.4	89.3
Finance expense	5	(77.8)	(40.2)
Net finance income		**58.6**	**49.1**
Profit before income tax		**460.2**	**460.5**
Income tax expense	6	(9.7)	(7.5)
Profit for the year		**450.5**	**453.0**
Profit/(loss) attributable to Shareholders	22	294.4	(122.6)
Profit attributable to Unitholders (non-controlling interests)	22	113.9	514.6
Profit attributable to Securityholders		**408.3**	**392.0**
Profit attributable to other non-controlling interests		42.2	61.0
Profit for the year		**450.5**	**453.0**
Basic profit/(loss) per Company share[1] (¢)	3	19.5	(9.2)
Diluted profit/(loss) per Company share[1] (¢)	3	17.2	(9.2)

1. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year (refer to note 20).

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 2012

		Consolidated	
	Note	2012 $M	2011 $M
Profit for the year		**450.5**	**453.0**
Other comprehensive income for the year, net of income tax			
(Decrease)/increase due to revaluation of other financial assets	21(a)	(1.9)	14.3
Fair value gains on other financial assets transferred to the income statement on disposal	21(a)	–	(47.2)
Cash flow hedges:			
– Change in value of financial instruments	21(b)	5.4	36.1
– Transfers to the income statement from cash flow hedge reserve	21(b)	31.2	42.5
Effect of foreign currency translation on reserves	21	(50.4)	(173.6)
Transfers to the income statement from foreign currency translation reserve	21(c)	7.5	–
Share based payments adjustments booked directly to reserves	21(e)	–	(1.2)
Actuarial (losses)/gains on defined benefit superannuation funds	18(a), 21(f)	(12.4)	1.8
Other comprehensive income for the year, net of income tax		**(20.6)**	**(127.3)**
Total comprehensive income for the year		**429.9**	**325.7**
Total comprehensive income attributable to Shareholders		257.2	(72.2)
Total comprehensive income attributable to Unitholders		130.5	336.9
Total comprehensive income attributable to Securityholders		**387.7**	**264.7**
Other non-controlling interests		42.2	61.0
Total comprehensive income for the year		**429.9**	**325.7**

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 2012

Year ended 30 June 2011
Consolidated

	Note	Attributable to Securityholders Issued capital $M	Reserves $M	Accumulated losses $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2010		**6,588.4**	**(2,321.3)**	**(318.6)**	**3,948.5**	**798.1**	**4,746.6**
Total comprehensive income for the year							
Profit for the year	22	–	–	392.0	**392.0**	61.0	**453.0**
Other comprehensive income for the year		–	(127.3)	–	**(127.3)**	–	**(127.3)**
Total comprehensive income for the year, net of income tax		**–**	**(127.3)**	**392.0**	**264.7**	**61.0**	**325.7**
Transfers		–	62.7	(62.7)	**–**	–	**–**
Contributions by and distributions to owners							
– Issue of stapled securities to Goodman Holdings Group for acquisition of Moorabbin Airport and Business Park	20,29	163.4	–	–	**163.4**	–	**163.4**
– Issue costs due to stapled securities	20	(0.2)	–	–	**(0.2)**	–	**(0.2)**
– Conversion of convertible preference securities issued to China Investment Corporation (CIC)	20	225.0	–	–	**225.0**	(225.0)	**–**
– Issue of stapled securities on exercise of options by CIC	20	78.5	–	–	**78.5**	–	**78.5**
– Distributions declared on stapled securities	7	–	–	(250.0)	**(250.0)**	–	**(250.0)**
– Distributions declared on Goodman PLUS Trust hybrid securities	7	–	–	–	**–**	(22.2)	**(22.2)**
– Distributions declared on convertible preference securities issued to CIC	7	–	–	–	**–**	(38.8)	**(38.8)**
– Equity settled share based payments recognised in the income statement	18(b)	–	10.9	–	**10.9**	–	**10.9**
Balance at 30 June 2011		**7,055.1**	**(2,375.0)**	**(239.3)**	**4,440.8**	**573.1**	**5,013.9**

Consolidated statement of changes in equity

for the year ended 30 June 2012

Year ended 30 June 2012
Consolidated

	Note	Attributable to Securityholders					
		Issued capital $M	Reserves $M	Accumulated losses $M	Total $M	Other non-controlling interests $M	Total equity $M
Balance at 1 July 2011		7,055.1	(2,375.0)	(239.3)	4,440.8	573.1	5,013.9
Total comprehensive income for the year							
Profit for the year	22	–	–	408.3	**408.3**	42.2	**450.5**
Other comprehensive income for the year		–	(20.6)	–	**(20.6)**	–	**(20.6)**
Total comprehensive income for the year, net of income tax		**–**	**(20.6)**	**408.3**	**387.7**	**42.2**	**429.9**
Transfers		–	(0.2)	0.2	**–**	–	**–**
Contributions by and distributions to owners							
– Conversion of convertible preference securities issued to CIC	20,22	275.0	–	(20.7)	**254.3**	(254.3)	**–**
– Disposal of treasury securities	20	25.6	–	–	**25.6**	–	**25.6**
– Issue of securities under the Security Purchase Plan	20	7.7	–	–	**7.7**	–	**7.7**
– Distributions declared on stapled securities	7	–	–	(283.1)	**(283.1)**	–	**(283.1)**
– Distributions declared on Goodman PLUS Trust hybrid securities	7	–	–	–	**–**	(21.5)	**(21.5)**
– Distributions declared on convertible preference securities issued to CIC	7	–	–	–	**–**	(20.7)	**(20.7)**
– Equity settled share based payments recognised in the income statement	18(b)	–	22.8	–	**22.8**	–	**22.8**
Balance at 30 June 2012		**7,363.4**	**(2,373.0)**	**(134.6)**	**4,855.8**	**318.8**	**5,174.6**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes. For an analysis of equity attributable to shareholders of Goodman Limited and equity attributable to unitholders in Goodman Industrial Trust (non-controlling interests) refer to notes 20, 21 and 22.

Consolidated cash flow statement

for the year ended 30 June 2012

	Note	Consolidated 2012 $M	Consolidated 2011 $M
Cash flows from operating activities			
Property income received		244.0	227.6
Cash receipts from development activities[1]		532.2	393.0
Other cash receipts from services provided		155.4	162.9
Property expenses paid		(72.2)	(60.7)
Payments for development activities		(525.5)	(306.4)
Other cash payments in the course of operations		(151.6)	(171.1)
Dividends/distributions received		121.9	130.0
Interest received		43.6	34.8
Finance costs paid		(76.6)	(75.1)
Net income taxes paid		(4.4)	(1.2)
Net cash provided by operating activities	26(b)	**266.8**	**333.8**
Cash flows from investing activities			
Proceeds from disposal of investment properties		204.3	14.3
Proceeds from disposal of controlled entities, net of cash disposed		–	4.5
Proceeds from disposal of equity investments		152.7	206.4
Payments for equity investments		(428.9)	(447.1)
Payments for investment properties		(140.2)	(171.1)
Payments for plant and equipment		(8.7)	(1.9)
Net cash used in investing activities		**(220.8)**	**(394.9)**
Cash flows from financing activities			
Proceeds from issue of ordinary securities		33.3	78.5
Transaction costs from issue of ordinary securities		(0.1)	(0.2)
Net cash flows from loans to related parties		(40.7)	96.8
Proceeds from borrowings		2,708.7	2,041.7
Repayments of borrowings		(2,336.2)	(2,158.9)
Distributions paid	7	(328.0)	(284.1)
Net cash provided by/(used in) financing activities		**37.0**	**(226.2)**
Net increase/(decrease) in cash held		83.0	(287.3)
Cash at the beginning of the year		227.8	515.1
Cash at the end of the year	26(a)	**310.8**	**227.8**

1. Proceeds from the disposal of special purpose development entities in Continental Europe have been included in cash receipts from development activities. In prior periods, such proceeds amounting to $39.4 million were included in cash flows from investing activities.

Non-cash transactions are included in note 26(c).

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

1 Statement of significant accounting policies

Goodman Limited (Company or Parent Entity) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2012 comprises the Company and its controlled entities (together Goodman or Consolidated Entity) and Goodman's interests in associates and joint venture entities.

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 on 10 August 2012.

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

(a) Basis of preparation of the consolidated financial report

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

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

(b) Principles of consolidation

Accounting for the acquisition of control of Goodman Industrial Trust

The stapling of the Company and Goodman Industrial Trust (GIT) was approved at separate meetings of the respective Shareholders and Unitholders on 25 January 2005. Following approval of the stapling, shares in the Company and units in GIT were stapled to one another and are quoted as a single security on the Australian Securities Exchange (ASX). Both the responsible entity of GIT and the Company must at all times act in the best interest of the Consolidated Entity.

Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the merger of the Company and GIT, the Company is identified as having acquired control over the assets of GIT. To recognise the in-substance acquisition, the following accounting principles have been applied:

+ no goodwill is recognised on acquisition of GIT because no direct ownership interest was acquired by the Company in GIT;
+ the equity issued by the Company to Unitholders to give effect to the transaction is recognised at the dollar value of the consideration payable by the Unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purpose of the Company acquiring an ownership interest in GIT; and
+ the issued units of GIT are not owned by the Company and are presented as non-controlling interests in the Consolidated Entity notwithstanding that the Unitholders are also the Shareholders by virtue of the stapling arrangement. Accordingly, the equity in the net assets of GIT has been separately identified in the statement of financial position and the profit or loss arising from those net assets has been separately identified in the income statement.

Business combinations

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

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

Measuring goodwill

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

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

1 Statement of significant accounting policies continued

Contingent liabilities

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

Non-controlling interest

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

Transaction costs

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

Accounting for acquisitions of non-controlling interests

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

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 30 June 2012 and the results of all such entities for the year ended 30 June 2012.

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

Associates

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

Joint ventures

A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

Joint venture entities

In the consolidated financial statements, investments in joint venture entities are accounted for using the equity method. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the joint venture entity's net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

Joint venture operations and assets

The Consolidated Entity's interests in unincorporated joint ventures and jointly controlled assets are brought to account by including its proportionate share of assets and liabilities and the Consolidated Entity's revenue and expenses from the sale of its goods or services on a line-by-line basis from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

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

Unrealised gains resulting from transactions with associates and joint venture entities, 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 joint venture entities 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.

1 Statement of significant accounting policies continued

(c) Revenue recognition

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.

Rendering of services

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 and income from fixed price construction contracts.

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.

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

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.

Dividends and distributions

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

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

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

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

1 Statement of significant accounting policies continued

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:

	Weighted average		As at 30 June	
Australian dollar (AUD) to	2012	2011	2012	2011
New Zealand dollar (NZD)	1.2832	1.3048	1.2771	1.2953
Hong Kong dollar (HKD)	8.0227	7.6968	7.8899	8.3336
Chinese yuan (CNY)	6.5572	6.5548	6.4651	6.9228
United States dollar (USD)	1.0317	0.9892	1.0191	1.0739
Japanese yen (JPY)	81.1330	82.0961	80.8900	86.3300
Euro (EUR)	0.7709	0.7249	0.8092	0.7405
British pounds sterling (GBP)	0.6513	0.6214	0.6529	0.6667

Hedges of net investments in foreign operations

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

(e) Intangible assets

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

Goodwill

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

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

Management rights

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

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

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

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

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

1 Statement of significant accounting policies 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 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.

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. On disposal, the balance of previously unrealised gains or losses for the individual properties included in the asset revaluation reserve is transferred to the capital profits reserve.

(g) Plant and equipment

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

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

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

(h) Inventories

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

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

(i) Financial instruments

Non-derivative financial assets

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

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

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

1 Statement of significant accounting policies continued

Loans and receivables

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

Loans and receivables comprise and trade and other receivables.

Cash and cash equivalents

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

Available for sale financial assets

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

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

Non-derivative financial liabilities

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

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

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

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

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

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

Issued capital

Ordinary shares

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

Hybrid securities

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

Derivative financial instruments and hedging

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

Effective 1 July 2009, the Consolidated Entity amended its financial risk management policy (refer to note 30) such that derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments have movements in their fair value recognised in the income statement.

In prior years, the Consolidated Entity designated derivative financial instruments as a hedge of an anticipated interest transaction only when they would be expected to reduce exposure to the risks being hedged; and were designated prospectively so that it was clear when an anticipated transaction had or had not occurred; and it was probable the anticipated transaction would occur as designated.

1 Statement of significant accounting policies continued

Cash flow hedges

The effective portion of changes in the fair value of derivatives that were previously designated and qualified as cash flow hedges were recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion was recognised in the income statement.

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

(j) 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.

(k) Finance costs

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

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

(l) Leased assets

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

Finance leases

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

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

Operating lease payments

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

(m) Impairment

Non-financial assets

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

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

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

1 Statement of significant accounting policies continued

Financial assets

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

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

Calculation of recoverable amount

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

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

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

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

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

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

(n) Assets and liabilities classified as held for sale

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

1 Statement of significant accounting policies continued

(o) Provisions

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

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

Dividends/distributions payable

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

Onerous contracts

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

Rental guarantees

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

(p) Income tax

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

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

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

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

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

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

GIT

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

1 Statement of significant accounting policies continued

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST (or value added tax in certain jurisdictions), unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(r) 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, provision for distributions to Securityholders, provisions for distributions on hybrid securities, corporate assets, head office expenses and income tax assets and liabilities.

(s) Employee benefits

Wages, salaries and annual leave

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

Long-term service benefits

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

Defined contribution superannuation funds

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

Defined benefit superannuation funds

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

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

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

1 Statement of significant accounting policies continued

Share based payment transactions

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

Prior to 30 June 2008, the Consolidated Entity offered Australian based employees the opportunity to participate in the Employee Securities Acquisition Plan (ESAP). On consolidation, the cost of the ESAP securities is recognised as treasury securities. These securities are treated as ordinary issued securities only when these securities under the ESAP have been exercised. During the current financial year, the securities issued under the ESAP lapsed and the treasury securities were disposed.

(t) Earnings per Company share/security

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

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

(u) Parent Entity financial information

The financial information for the Parent Entity, Goodman Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities, associates and joint venture entities

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

Tax consolidation

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

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

Financial guarantees

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

1 Statement of significant accounting policies continued

(v) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following new Australian Accounting Standards which are expected to have significant effect on the Consolidated Entity's financial statements were available for early adoption at 30 June 2012 but have not been applied in preparing these financial statements:

+ AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets and replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Consolidated Entity's 30 June 2016 financial statements. Retrospective application is generally required. The Consolidated Entity has not yet determined the potential effect of the standard;
+ AASB 10 Consolidated Financial Statements introduces a new approach to determining which investees should be consolidated. AASB 10 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements and retrospective application is required. Based on the application guidance issued to date, the Consolidated Entity has made an assessment of the impact of the new accounting standard on its principal equity accounted investments and does not consider that the application of AASB 10 will result in any material change to those investees that are consolidated. This conclusion arises because for the majority of Goodman's managed funds, the power to direct the activities that significantly affect the returns of the managed funds lies with either an investor committee, comprised of a majority of non-Goodman investor representatives, or an independent board;
+ AASB 11 Joint Arrangements includes new requirements for the classification and disclosures of joint ventures and replaces AASB 131 Interests in Joint Ventures. The AASB has also issued AASB 128 Investments in Associates and Joint Ventures (2011), which supersedes AASB 128 Investments in Associates (2008). These accounting standards will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. The Consolidated Entity has not yet determined the potential effect of the standards;
+ AASB 12 Disclosure of Interests in Other Entities sets out the required disclosures for interest in entities that are subsidiaries, associates and joint ventures. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Consolidated Entity's investments. AASB 12 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements;
+ AASB 13 Fair Value Measurement defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. AASB 13 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard; and
+ AASB 119 Employee Benefits introduces new requirements for the classification and measurement of Defined Benefit Plan. AASB 119 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard.

(w) Rounding

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

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

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Investment property values

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 knowledgably, 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 Goodman's balance sheet and properties within funds managed by Goodman.

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 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.

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

(a) Investment property values continued

Market assessment

At 30 June 2012, all markets in which Goodman operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations.

The weighted average cap rates for those properties valued externally at 30 June 2012 and the overall weighted average cap rates for the portfolio (including managed funds) are set out in the table below:

	Weighted average cap rate for external valuations[1]		Total portfolio weighted average cap rate	
Division	2012 %	2011 %	2012 %	2011 %
Australia	8.2	8.1	8.1	8.2
New Zealand	n/a[2]	8.6	8.5	8.6
Hong Kong	6.1	6.1	6.2	6.1
China	n/a[2]	n/a[2]	8.9	8.7
Japan	5.3	5.6	5.5	5.8
Logistics – Continental Europe	7.9	7.7	7.8	7.7
Logistics – United Kingdom	8.5	8.3	8.1	8.2
Business Parks – United Kingdom	8.2	7.6	8.2	7.6

1. This represents the weighted average capitalisation rate for external valuations in the three months prior to the balance date.
2. No external valuations were performed in the three months prior to the balance date.

At 30 June 2012, the carrying value of stabilised investment properties held by the Consolidated Entity was $2,259.0 million (2011: $2,408.5 million). During the year ended 30 June 2012, 65% (2011: 71%) of stabilised investment properties (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.

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the Consolidated Entity's feasibility studies supporting the properties under development. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 10.0% to 17.5%.

At 30 June 2012, the carrying value of investment properties under development held by the Consolidated Entity was $415.5 million (2011: $516.2 million).

(b) Inventories

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

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

At 30 June 2012, the carrying value of inventories held by the Consolidated Entity was $795.3 million (2011: $484.9 million).

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

(c) Intangible assets

The Consolidated Entity recognises both indefinite life management rights and goodwill in its statement of financial position. At 30 June 2012, the carrying values of management rights and goodwill held by the Consolidated Entity were respectively $232.9 million (2011: $229.7 million) and $550.3 million (2011: $598.2 million). Details of key assumptions are set out in note 15.

Management rights represent the cost less impairment of direct and indirect asset management arrangements. The carrying values of these assets are assessed annually taking into account uncertain future events, including the period over which the future fee income streams continue to be received, the likelihood of renewal at minimal cost of contractual agreements to manage funds, and the future financial performance of the entities which generate those future fee income streams.

Goodwill carried by the Consolidated Entity represents the excess of the purchase price paid to acquire control over entities or groups of entities over the fair value of the net assets acquired. The carrying value of these assets is reviewed annually for impairment. The value is dependent on the assessment of uncertain future events, including the future profitability of the businesses acquired.

(d) Equity accounted investments

At 30 June 2012, the Consolidated Entity had a 50% investment in a joint venture entity, Macquarie Goodman Japan Pte Ltd (MGJ), which in turn had a 72% (2011: 72%) investment in Goodman Japan Limited (GJL) (formerly J-REP Co., Ltd). The carrying value of the investment in MGJ was A$142.0 million (2011: A$114.9 million). Management has assessed the carrying value of the investment based on a value in use calculation using a discount rate per annum of 10.07% (2011: 10.26%). The key assumptions relate to:

+ the privatisation of GJL, which is underway and expected to complete in the half year to 31 December 2012;
+ increasing the investor base in the existing core fund;
+ establishment of a new development fund, which has been approved subject to final documentation; and
+ continued access to prime development sites in addition to the two sites already secured at Osaka Bay and Tokyo Bay.

The table below sets out the sensitivity of the fair value to the amount of equity raised in the next five years:

	Impact on fair value of investment in MGJ	
Sensitivity	**2012 $M**	**2011 $M**
10% reduction in new equity raised in each of the next five years	(1.0)	(3.4)
10% reduction in new equity raised in the next 12 months	(0.4)	(0.9)
50% reduction in new equity raised in the next five years	(3.3)	(17.2)
100 basis point increase in the discount rate per annum	(6.3)	(4.9)

(e) Derivative financial instruments

The fair values of derivative financial instruments are determined using generally accepted pricing models which discount estimated future cash flows based on the terms and maturity of each contract and current market interest rates and or foreign currency rates. Fair values also reflect the current creditworthiness of the derivative counterparties.

For further details in relation to derivative financial instruments, refer to note 30.

(f) Share based payments

The fair values of share based payment transactions are measured by reference to their fair value at the date of grant. The estimate of the fair value of the services received is measured as follows:

+ Relative total Securityholder returns (relative TSR) tranche: these rights have been valued using a Monte Carlo model which simulated total returns for each of the ASX 200 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 earnings per Securityholder (operating EPS) tranche: these rights have been valued as a granted call option, using the standard Black Scholes model with a continuous dividend yield.

For further details in relation to the assumptions, refer to note 18.

3 Profit/(loss) per Company share/per security

	Note	2012 ¢	2011 Restated[1] ¢
Profit/(loss) per Company share			
Basic profit/(loss) per Company share	3(a)	19.5	(9.2)
Diluted profit/(loss) per Company share	3(a)	17.2	(9.2)
Profit per security			
Basic profit per security	3(a)	27.0	29.5
Diluted profit per security	3(a)	26.3	27.8
Distribution per security	3(b)	**18.0**	**17.5**

1. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.

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

	Note	2012 $M	2011 $M
Profit/(loss) per Company share			
Profit/(loss) after tax used in calculating basic and diluted profit/(loss) per Company share	22	294.4	(122.6)
Profit per security			
Profit after tax used in calculating basic profit per security	22	408.3	392.0
Distribution on Goodman PLUS Trust hybrid securities and CIC convertible preference securities	7	42.2	61.0
Profit after tax used in calculating diluted profit per security		**450.5**	**453.0**

Weighted average number of securities

Per Company share	2012 Number of securities	2011 Restated[1] Number of securities
Weighted average number of securities used in calculating basic profit/(loss) per Company share	**1,510,203,021**	**1,330,317,261**
Effect of performance rights on issue	17,994,182	–
Effect of conversion of Goodman PLUS Trust hybrid securities and CIC convertible preference securities	181,959,594	–
Weighted average number of securities used in calculating diluted profit per Company share[2]	**1,710,156,797**	**1,330,317,261**

Per security	2012 Number of securities	2011 Restated[1] Number of securities
Weighted average number of securities used in calculating basic profit per security and distribution per security	**1,510,203,021**	**1,330,317,261**
Effect of performance rights on issue	17,994,182	8,409,389
Effect of conversion of Goodman PLUS Trust hybrid securities and CIC convertible preference securities	181,959,594	292,252,484
Weighted average number of securities used in calculating diluted profit per security	**1,710,156,797**	**1,630,979,134**

1. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.
2. In the comparative period, the same number of securities was used in the calculation of basic and diluted profit per Company share as the Company was in a net loss after tax position.

3 Profit/(loss) per Company share/per security continued

As at 30 June 2011, 7,264,496 (restated) securities granted under the ESAP and 26,162,700 (restated) options issued under the Executive Option Plan (EOP) were anti-dilutive and therefore excluded from the calculation of both the diluted loss per Company share and the diluted profit per security. All securities issued under the ESAP and options issued under the EOP lapsed in the current year.

As at 30 June 2012, the following performance rights and contingently issuable securities are potentially dilutive in future periods:

+ 28,085,699 equity settled performance rights granted to employees under the LTIP; and
+ securities contingently issuable on conversion of Goodman PLUS Trust hybrid securities.

(b) Dividends per Company share and distributions per security

No dividends were declared or paid by the Company during the financial year (2011: $nil). Total distributions for the financial year declared by GIT were 18.0 cents per security (2011 restated: 17.5 cents per security). Details of the dates of payment are set out in note 7.

4 Segment reporting

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

The activities and services undertaken by the divisions include:

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

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

4 Segment reporting continued

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Total	
Income statement	**2012 $M**	**2011 $M**	**2012 $M**	**2011 $M**	**2012 $M**	**2011 $M**	**2012 $M**	**2011 $M**	**2012 $M**	**2011 $M**
External revenues										
Gross property income	210.1	198.0	0.1	0.1	4.2	4.5	21.3	22.5	235.7	225.1
Fund management income	36.2	28.0	14.5	12.9	17.2	13.6	8.6	9.5	76.5	64.0
Property services income	29.8	22.9	4.8	5.4	9.0	8.7	19.1	19.9	62.7	56.9
Development income	128.6	75.2	2.4	4.4	79.5	77.5	6.2	53.4	216.7	210.5
Income from disposal of inventories	18.0	80.1	–	–	–	–	61.1	32.7	79.1	112.8
Distributions from investments	–	4.2	–	–	3.3	3.3	18.9	19.6	22.2	27.1
Total external revenues	**422.7**	**408.4**	**21.8**	**22.8**	**113.2**	**107.6**	**135.2**	**157.6**	**692.9**	**696.4**
Reportable segment profit before tax	**352.6**	**292.8**	**66.4**	**92.1**	**102.3**	**60.3**	**64.6**	**67.2**	**585.9**	**512.4**
Other material non-cash items not included in reportable segment profit before tax										
Net gain/(loss) from fair value adjustments on investment properties	18.3	6.3	(4.8)	(8.2)	(5.3)	(2.9)	(1.7)	(21.6)	6.5	(26.4)
Impairment losses	(10.6)	(5.3)	–	2.1	(19.1)	(12.0)	(59.8)	(32.0)	(89.5)	(47.2)
Other key components of financial performance included in reportable segment profit before tax										
Share of net results of equity accounted investments	135.2	84.5	56.6	71.0	(2.0)	17.5	(23.2)	1.5	166.6	174.5
Statement of financial position	**30 Jun 2012 $M**	**30 Jun 2011 $M**	**30 Jun 2012 $M**	**30 Jun 2011 $M**	**30 Jun 2012 $M**	**30 Jun 2011 $M**	**30 Jun 2012 $M**	**30 Jun 2011 $M**	**30 Jun 2012 $M**	**30 Jun 2011 $M**
Reportable segment assets	**4,315.6**	**4,217.4**	**764.3**	**675.6**	**1,253.3**	**1,217.7**	**1,372.8**	**1,292.6**	**7,706.0**	**7,403.3**
Investments in equity accounted investments (included in reportable segment assets)	1,810.7	1,617.7	374.6	328.3	357.0	339.9	351.1	311.5	2,893.4	2,597.4
Total non-current assets	**4,219.9**	**4,117.5**	**618.4**	**478.4**	**1,141.2**	**1,149.2**	**1,201.9**	**1,061.3**	**7,181.4**	**6,806.4**
Reportable segment liabilities	**(61.9)**	**(55.6)**	**(19.2)**	**(32.9)**	**(67.0)**	**(78.9)**	**(59.6)**	**(44.6)**	**(207.7)**	**(212.0)**

4 Segment reporting continued

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

	2012 $M	2011 $M
Revenues		
Total revenue for reportable segments	692.9	696.4
Consolidated revenues	**692.9**	**696.4**
Profit or loss		
Total profit before tax for reportable segments	585.9	512.4
Other non-cash items not included in reportable segment profit before tax	(96.7)	(45.7)
Unallocated amounts: other corporate expenses	(63.0)	(43.1)
Share based payments expense	(24.6)	(12.2)
Net finance income – refer to note 5	58.6	49.1
Consolidated profit before income tax	**460.2**	**460.5**
Assets		
Total assets for reportable segments	7,706.0	7,403.3
Other assets	101.8	–
Other unallocated amounts	412.1	161.6
Consolidated total assets	**8,219.9**	**7,564.9**
Liabilities		
Total liabilities for reportable segments	(207.7)	(212.0)
Other liabilities	(76.5)	–
Interest bearing liabilities	(2,347.5)	(1,913.8)
Provisions for distributions to Securityholders	(144.5)	(147.2)
Other unallocated amounts	(269.1)	(278.0)
Consolidated total liabilities	**(3,045.3)**	**(2,551.0)**

5 Profit before income tax

	Consolidated 2012 $M	Consolidated 2011 $M
Profit before income tax has been arrived at after crediting/(charging) the following items:		
Net consideration from disposal of investment properties	204.1	34.4
Carrying value of investment properties disposed – refer to note 11	(189.8)	(33.6)
Net gain on disposal of investment properties	**14.3**	**0.8**
Net consideration received and receivable from the disposal of controlled entities	–	4.5
Carrying value of net assets disposed	–	(1.8)
Net gain on disposal of special purpose development entities in Continental Europe	44.3	15.2
Net gain on disposal of controlled entities	**44.3**	**17.9**
Share of net results of investments in associates – refer to note 12(a)		
– Operating results after tax (before revaluations)	162.8	130.2
– Fair value adjustments on investment properties[1]	42.1	55.8
– Fair value adjustments on interest rate swaps	(60.5)	(30.2)
Share of net results of investments in joint venture entities – refer to note 12(b)		
– Operating results after tax (before revaluations)	14.0	11.8
– Fair value adjustments on investment properties	11.6	7.6
– Fair value adjustments on interest rate swaps	(3.4)	(0.7)
Share of net results of equity accounted investments	**166.6**	**174.5**
Net consideration from disposal of equity investments	102.4	258.9
Carrying value of equity investments disposed[2]	(80.7)	(188.5)
Loss on dilution of investment in associate – refer to note 12(a)	(1.8)	(3.8)
Net gain on disposal of equity investments	**19.9**	**66.6**
Equity settled share based payments expense	(22.8)	(10.9)
Cash settled share based payments expense	(1.6)	(0.8)
Other share based payment related costs	(0.2)	(0.5)
Share based payments expense	**(24.6)**	**(12.2)**
Amortisation of leasehold improvements – refer to note 14	(0.5)	(0.4)
Depreciation of plant and equipment – refer to note 14	(4.8)	(5.4)
Amortisation and depreciation	**(5.3)**	**(5.8)**
Impairment of receivables – refer below	(10.9)	(6.1)
Impairment of inventories – refer to note 9	(51.1)	(14.9)
Impairment of equity accounted investments – refer to note 12	(2.6)	(3.2)
Impairment of other financial assets – refer below	(13.8)	(4.0)
Impairment of intangible assets – refer to note 15	(11.1)	(19.0)
Impairment losses	**(89.5)**	**(47.2)**

1. Includes a gain of $8.1 million arising from the acquisition of units in Arlington Business Parks Partnership (ABPP) at a discount to fair value.
2. Includes an amount $7.5 million previously booked in the foreign currency translation reserve in relation to the Consolidated Entity's Singapore division, that has been recycled to profit and loss as the entities were wound up during the current financial year (refer to note 21(c)).

5 Profit before income tax continued

Impairment losses

The impairment losses on receivables and other financial assets relate to the following items:

(i) Receivables

The impairment loss primarily relates to loans provided to certain joint venture entities to fund specific development projects. The impairment is a result of a devaluation of the development assets in the joint venture entities.

(ii) Other financial assets

In the current and prior financial year, the impairment loss relates to the fair value adjustment arising on the investment in Goodman European Business Parks Fund (GEBPF), which includes property related impairments of $3.4 million.

Net finance income

	Consolidated 2012 $M	Consolidated 2011 $M
Finance income		
Interest income from:		
– Related parties	5.7	14.5
– Other parties	5.2	8.6
Fair value adjustments on derivative financial instruments[1]	125.5	66.0
Foreign exchange gain	–	0.2
	136.4	**89.3**
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(94.8)	(102.4)
Other borrowing costs	(14.8)	(12.0)
Foreign exchange loss[2]	(56.2)	–
Capitalised borrowing costs[3]	88.0	74.2
	(77.8)	**(40.2)**
Net finance income	**58.6**	**49.1**

1. Includes both the fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted (refer to note 21(b)). The remaining balance included in the cash flow hedge reserve that relates to derivative contracts that were previously hedge accounted will be amortised over future periods.
2. Foreign exchange loss includes $56.5 million (2011: $nil) of unrealised losses on translation of the United States senior notes (refer to note 17(c) and the Japanese yen denominated private placement (refer to note 17(d)).
3. Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 4.2% and 8.9% per annum (2011: 1.8% and 9.1% per annum).

6 Income tax expense

	Consolidated 2012 $M	Consolidated 2011 $M
Current tax expense recognised in the income statement		
Current year	(10.7)	(7.3)
Adjustment for prior periods	(0.1)	3.1
	(10.8)	**(4.2)**
Deferred tax benefit/(expense) recognised in the income statement		
Origination and reversal of temporary differences	1.1	(0.9)
Derecognition of previously recognised tax losses	–	(2.4)
	1.1	**(3.3)**
Total income tax expense	**(9.7)**	**(7.5)**

	Consolidated 2012 $M	Consolidated 2011 $M
(a) Income tax expense		
Profit before income tax	460.2	460.5
Prima facie income tax expense calculated at 30% (2011: 30%) on the profit before income tax	(138.1)	(138.2)
Decrease/(increase) in income tax due to:		
– Profit attributable to Unitholders	121.3	178.1
– Loss on disposal of securities issued under the ESAP	70.8	–
– Current year losses for which no deferred tax asset was recognised	(36.6)	(30.6)
– Non-deductible impairment losses	(16.8)	(1.0)
– Non-assessable amounts from share of results of equity accounted investments	8.0	3.7
– Non-deductible interest expense	(14.8)	(8.2)
– Non-assessable interest income	6.3	2.4
– Non-deductible option expense	(7.3)	(3.5)
– Utilisation of previoulsy unrecognised tax losses	(3.1)	–
– Difference in overseas tax rates	0.5	(14.7)
– Adjustment for current tax in prior periods	(0.1)	4.5
– Other items	0.2	–
Income tax expense	**(9.7)**	**(7.5)**
(b) Deferred tax benefit/(expense) recognised directly in equity		
Equity issue costs	–	0.4
Defined benefits pension scheme	3.3	(0.9)
	3.3	**(0.5)**
(c) Net income tax payable		
Net balance at the beginning of the year	(25.3)	(24.2)
Increase/(decrease) in current net tax payable due to:		
– Net income taxes paid	4.4	1.2
– Net income tax expense on current year's profit	(10.7)	(7.3)
– Adjustment for prior periods	(0.1)	3.1
– Other	1.9	1.9
Net balance at the end of the year	**(29.8)**	**(25.3)**
Current tax receivables	0.1	0.8
Current tax payables	(29.9)	(26.1)
	(29.8)	**(25.3)**

6 Income tax expense continued

(d) Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net	
Consolidated	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M
Investment properties[1]	3.2	2.0	–	–	3.2	2.0
Receivables	–	–	(6.1)	(5.2)	(6.1)	(5.2)
Tax losses	3.2	2.6	–	–	3.2	2.6
Payables	1.2	0.9	–	(0.3)	1.2	0.6
Provisions	9.4	5.8	–	–	9.4	5.8
Other items	1.8	2.5	(0.2)	(0.1)	1.6	2.4
Tax assets/(liabilities)	**18.8**	**13.8**	**(6.3)**	**(5.6)**	**12.5**	**8.2**

1. The movement in deferred tax assets on investment properties of $1.2 million arises from fair value adjustments on investment properties.

Deferred tax assets of $150.0 million in relation to tax losses have not been recognised by the Consolidated Entity at 30 June 2012 (2011: $72.9 million).

7 Dividends and distributions

(a) Dividends declared by the Company

No dividends were declared or paid by the Company during the financial year ended 30 June 2012 or up to the date of this report (2011: $nil).

(b) Distributions declared and paid by GIT

	Distribution Restated[1] cpu	Total amount $M	Date of payment
Distributions for the years ended 30 June 2012			
– 31 Dec 2011	9.00	138.6	28 Feb 2012
– 30 Jun 2012	9.00	144.5	27 Aug 2012
	18.00	**283.1**	
Distribution for the year ended 30 June 2011			
– 31 Dec 2010	7.50	102.8	28 Feb 2011
– 30 Jun 2011	10.00	147.2	26 Aug 2011
	17.50	**250.0**	

1. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.

7 Dividends and distributions continued

Movement in provision for distributions to Securityholders

	Consolidated 2012 $M	Consolidated 2011 $M
Balance at the beginning of the year	147.2	120.3
Provisions for distributions	283.1	250.0
Payment of distributions	(285.8)	(223.1)
Balance at the end of the year	**144.5**	**147.2**

Dividend franking account

	Goodman Limited 2012 $M	Goodman Limited 2011 $M
30% franking credits available to Shareholders for subsequent financial years	37.6	44.1

There were no franked dividends paid during the current or prior financial year.

The above amounts are based on the dividend franking account at the balance date adjusted for:

+ franking credits that will arise from the payment of the current tax liability;
+ franking debits that will arise from the payment of dividends recognised as a liability at the balance date;
+ franking credits that will arise from the receipt of dividends recognised as a receivable at the balance date; and
+ franking credits that the entity may be prevented from distributing in subsequent financial years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

(c) Distributions declared and paid by Goodman PLUS Trust

	Distribution cpu	Total amount $M	Date of payment
Distributions for the year ended 30 June 2012			
– 21 Sep 2011	173.4	5.7	21 Sep 2011
– 21 Dec 2011	165.8	5.4	21 Dec 2011
– 21 Mar 2012	158.8	5.2	21 Mar 2012
– 21 Jun 2012	159.8	5.2	21 Jun 2012
	657.8	**21.5**	
Distributions for the year ended 30 June 2011			
– 21 Sep 2010	171.4	5.6	21 Sep 2010
– 21 Dec 2010	167.8	5.5	21 Dec 2010
– 21 Mar 2011	170.2	5.5	21 Mar 2011
– 21 Jun 2011	170.7	5.6	21 Jun 2011
	680.1	**22.2**	

Goodman PLUS Trust, a controlled entity of GIT, has hybrid securities on issue which meet the definition of equity (refer to note 23).

7 Dividends and distributions continued

(d) Distributions declared and paid by China Hybrid Investment Sub-Trust

	Distribution cpu	Total amount $M	Date of payment
Distributions for the year ended 30 June 2012			
– 21 Dec 2011	501,369.9	13.8	21 Dec 2011
– 21 Jun 2012	548,767.1	6.9	21 Jun 2012
	1,050,137.0	**20.7**	
Distributions for the year ended 30 June 2011			
– 21 Dec 2010	501,369.9	25.1	21 Dec 2010
– 21 Jun 2011	498,630.1	13.7	21 Jun 2011
	1,000,000.0	**38.8**	

China Hybrid Investment Sub-Trust, a controlled entity of GIT, has hybrid securities (CIC convertible preference securities) which meet the definition of equity (refer to note 23). On 23 December 2011 and 25 June 2012, CIC converted $150.0 million and $125.0 million preference securities to ordinary stapled securities at restated prices of $2.20 and $2.25 respectively per security.

8 Receivables

	Consolidated	
	2012 $M	**2011 $M**
Current		
Trade receivables	9.9	17.1
Other receivables	49.5	106.5
Construction contract receivables	8.7	11.6
Amounts due from related parties	91.3	82.6
Loans to related parties	–	3.6
Derivative financial instruments	4.9	5.1
	164.3	**226.5**
Non-current		
Loans to related parties	135.7	99.3
Derivative financial instruments[1]	228.7	86.7
	364.4	**186.0**

1. Includes the fair values of cross currency interest rate swaps amounting to $176.5 million (2011: liability of $31.6 million) entered into to hedge the United States senior notes (refer to note 17(c)) and cross currency interest rate swaps amounting to $12.4 million (2011: liability of $1.9 million) to hedge the Japanese yen denominated private placement (refer to note 17(d)).

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

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

Amounts in A$M	NZD	HKD	USD	GBP	EUR	JPY
2012	**5.2**	**3.7**	**41.6**	**64.4**	**94.4**	**3.2**
2011	3.5	69.2	21.4	48.3	104.7	–

8 Receivables continued

Trade receivables

At 30 June 2012, trade receivables of $0.7 million (2011: $0.6 million) were impaired. The ageing analysis of trade receivables (before impairment) is as follows:

	Consolidated 2012 $M	Consolidated 2011 $M
Overdue by:		
Up to 1 month	2.8	4.6
1 month to 4 months	1.1	6.6
Greater than 4 months	0.1	1.8
	4.0	**13.0**

The Consolidated Entity holds bank guarantees as security for $2.3 million (2011: $2.2 million) of its trade receivables from investment property customers.

Other receivables

At 30 June 2012, there was no allowance for impairment of other receivables (2011: $nil). The ageing analysis of other receivables is as follows:

	Consolidated 2012 $M	Consolidated 2011 $M
Overdue by:		
Up to 1 month	0.8	–
1 month to 4 months	–	–
Greater than 4 months	–	–
	0.8	**–**

Construction contract receivables

	Consolidated 2012 $M	Consolidated 2011 $M
Net contract debtors excluding retentions	182.9	231.6
Retentions	–	–
Net contract debtors	**182.9**	**231.6**
Cash received to date	(174.2)	(218.4)
Effect of foreign currency translation	–	(1.6)
Total progressive value	**8.7**	**11.6**
Amounts due from customers – contract debtors	8.7	11.6
Amounts due from customers – trade debtors	–	–
Construction contract receivables	**8.7**	**11.6**

Amounts due from related parties

At 30 June 2012, amounts due from related parties of $1.0 million (2011: $nil) were impaired. The ageing analysis of these amounts due from related parties is as follows:

	Consolidated 2012 $M	Consolidated 2011 $M
Overdue by:		
Up to 1 month	0.5	0.7
1 month to 4 months	1.7	0.1
Greater than 4 months	1.5	0.1
	3.7	**0.9**

8 Receivables continued

Loans to related parties

Details of loans to related parties are set out in note 29. During the financial year, impairments of $9.9 million (2011: $6.1 million) were recorded against related party loans provided to fund development projects. These impairments were a result of devaluations in the developments funded by the loans.

9 Inventories

	Consolidated	
	2012 $M	2011 $M
Current		
Development land	194.3	216.2
	194.3	**216.2**
Non-current		
Development land	601.0	268.7
	601.0	**268.7**

During the financial year, impairments of $51.1 million (2011: $14.9 million) were recognised to write down development land to net realisable value.

During the financial year, borrowing costs of $10.0 million (2011: $13.1 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal.

10 Other assets

	Consolidated	
	2012 $M	2011 $M
Current		
Other property assets	107.6	2.6
Prepayments	13.7	8.9
	121.3	**11.5**
Non-current		
Other property assets	67.5	31.0
	67.5	**31.0**

11 Investment properties

	Consolidated	
	2012 $M	2011 $M
Carrying amount at the beginning of the year	2,924.7	2,797.4
Cost of acquisition:		
– On acquisition of controlled entities	–	235.7
– Other acquisitions	2.3	24.4
Capital expenditure	97.7	130.2
Disposals:		
– Carrying value of properties sold	(189.8)	(33.6)
– On disposal of interests in controlled entities	–	(40.9)
Transfers to inventories	(172.8)	(63.7)
Net gain/(loss) from fair value adjustments	6.5	(26.4)
Effect of foreign currency translation	5.9	(98.4)
Carrying amount at the end of the year	**2,674.5**	**2,924.7**
Analysed as:		
Stabilised investment properties	2,259.0	2,408.5
Investment properties under development	415.5	516.2
	2,674.5	**2,924.7**

12 Investments accounted for using the equity method

	Note	Consolidated 2012 $M	Consolidated 2011 $M
Share of net assets accounted for using the equity method			
Associates	12(a)	2,522.2	2,372.7
Joint venture entities (JVEs)	12(b)	371.2	224.7
Total		**2,893.4**	**2,597.4**

(a) Investments in associates

	Consolidated 2012 $M	Consolidated 2011 $M
Movements in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,372.7	2,054.7
Share of net results – refer below	144.4	155.8
Share of movements in reserves	22.2	55.9
Impairment	–	(1.5)
Loss on dilution of investment – refer below	(1.8)	(3.8)
Acquisitions	200.0	416.6
Disposals	(78.7)	(75.7)
Distributions received and receivable	(127.2)	(109.0)
Effect of foreign currency translation	(9.4)	(120.3)
Carrying amount at the end of the year	**2,522.2**	**2,372.7**

Included in movements in carrying amount of investments in associates are the following:

	2012 $M	2011 $M
Share of net results		
Loss on disposal of investment properties	(0.1)	–
Share of reversal of provision/(provision) for business acquisition related costs	3.1	(14.1)
Impairment losses	–	(0.5)
Other non-cash items impacting the distributable results of associates	(1.1)	(0.2)
Other movements		
Loss on dilution of investment	(1.8)	(3.8)
	0.1	**(18.6)**

12 Investments accounted for using the equity method continued

Name	Country of establishment/ incorporation	Consolidated share of associate's result recognised 2012 $M	2011 $M	Consolidated ownership interest 2012 %	2011 %	Consolidated investment carrying amount 2012 $M	2011 $M
Property investment associates							
Goodman Australia Industrial Fund (GAIF)	Australia	81.0	74.3	43.3	43.7	1,145.2	1,136.1
Goodman Australia Development Fund (GADF)	Australia	2.8	1.7	20.0	20.0	44.8	21.6
Goodman Trust Australia (GTA)	Australia	42.1	0.6	19.9	19.9	323.8	281.6
Goodman Property Trust (GMT)[1]	New Zealand	5.4	4.9	17.2	16.7	136.3	125.5
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	29.4	54.5	20.0	20.0	220.4	199.8
Goodman China Logistics Holding Limited (GCLHL)	China	3.2	2.1	20.0	20.0	12.1	8.8
Goodman European Logistics Fund (GELF)	Luxembourg	(2.0)	17.3	26.6	27.9	328.3	324.1
ABPP	United Kingdom	(22.2)	0.3	43.1	35.7	311.3	270.5
Property development associate							
Moriya GK	Japan	4.7	0.1	30.0	30.0	–	4.7
		144.4	**155.8**			**2,522.2**	**2,372.7**

1. GMT is listed on the New Zealand Exchange. The market value of the Consolidated Entity's investment in GMT at 30 June 2012 using the quoted price on the last day of trading was $133.7 million (2011: $117.0 million). Goodman is assessed to have significant influence over the operations of GMT despite only owning 17.2% of its issued equity as it operates as fund manager and is the largest unitholder in GMT with the rest of the units widely held.

Name	Year ended 30 June	Revenue[1] (100%) $M	Result after tax1 (100%) $M	Total assets (100%) $M	Total liabilities (100%) $M	Net assets (100%) $M
GAIF	2012	435.6	187.1	4,468.5	1,882.8	2,585.7
	2011	401.3	169.7	4,262.9	1,714.7	2,548.2
GADF	2012	6.2	13.9	233.9	19.9	214.0
	2011	0.8	8.6	134.2	33.8	100.4
GTA	2012	261.1	202.3	2,796.2	1,185.4	1,610.8
	2011	66.2	2.8	2,647.4	1,128.3	1,519.1
GMT	2012	89.5	32.0	1,318.5	575.2	743.3
	2011	65.1	27.5	1,253.1	552.5	700.6
GHKLF	2012	91.8	147.1	1,663.5	561.3	1,102.2
	2011	82.5	264.0	1,465.7	466.6	999.1
GCLHL	2012	18.3	16.1	354.4	295.2	59.2
	2011	14.5	10.6	212.4	67.8	144.6
GELF	2012	144.5	20.1	2,181.6	957.9	1,223.7
	2011	139.0	57.8	1,989.7	830.8	1,158.9
ABPP	2012	105.3	(52.0)	1,637.0	914.2	722.8
	2011	172.3	74.4	1,862.8	1,104.1	758.7
Moriya GK	2012	19.0	15.5	0.1	–	0.1
	2011	0.9	0.5	30.3	9.8	20.5

1. Amounts presented above for revenue and result after tax are measured from the later of the beginning of the financial year or the date that equity accounting commenced to the end of the financial year or date equity accounting ceased, if earlier.

12 Investments accounted for using the equity method continued

(b) Investments in JVEs

	Consolidated 2012 $M	Consolidated 2011 $M
Movements in carrying amount of investments in JVEs		
Carrying amount at the beginning of the year	224.7	249.4
Share of net results	22.2	18.7
Share of movements in reserves	0.4	(1.0)
Impairment	(2.6)	(1.7)
Acquisitions	120.5	33.3
Disposals	–	(45.1)
Distributions received and receivable	(1.4)	(2.4)
Effect of foreign currency translation	7.4	(26.5)
Carrying amount at the end of the year	**371.2**	**224.7**

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

Name	Country of establishment/ incorporation	Consolidated share of JVE's result recognised 2012 $M	Consolidated share of JVE's result recognised 2011 $M	Consolidated ownership interest 2012 %	Consolidated ownership interest 2011 %	Consolidated investment carrying amount 2012 $M	Consolidated investment carrying amount 2011 $M
Property investment JVEs							
KWASA Goodman Industrial Trust (KGIT)	Australia	0.5	–	40.0	–	103.3	–
Macquarie Goodman Japan Pte Ltd (MGJ)	Singapore	19.3	11.5	50.0	50.0	142.0	114.9
Goodman Princeton Holdings (Lux) Sàrl (Princeton Lux)	Luxembourg	0.9	0.8	20.0	20.0	27.5	13.8
Goodman Princeton Holdings (Jersey) Ltd (Princeton Jersey)	Jersey	0.6	0.5	20.0	20.0	11.2	8.3
Colworth Park Ltd Partnership (Colworth)	United Kingdom	(1.1)	1.3	50.0	50.0	15.6	16.3
The Harwell Science and Innovation Campus Limited Partnership (Harwell)	United Kingdom	(0.3)	0.3	50.0	50.0	3.7	3.8
Property development JVEs							
GGGAIF Huntingwood East (Huntingwood East)	Australia	–	–	50.0	50.0	–	–
GGGAIF Bungarribee No. 1 (Bungarribee)[1]	Australia	–	–	50.0	50.0	–	–
Highbrook Development Ltd (HDL)	New Zealand	2.5	2.7	25.0	25.0	54.8	51.2
BL Goodman LLP	United Kingdom	(0.3)	(0.1)	50.0	50.0	5.5	5.5
B Logistics Ltd	United Kingdom	0.1	–	33.3	33.3	2.1	3.1
Other JVEs		–	1.7			5.5	7.8
		22.2	**18.7**			**371.2**	**224.7**

1. Formerly GGGAIF Moorebank.

12 Investments accounted for using the equity method continued

(b) Investments in JVEs continued

Name	Year ended 30 June	Revenue[1] (100%) $M	Result after tax[1] (100%) $M	Total assets[2] (100%) $M	Total liabilities[2] (100%) $M	Net assets/ (liabilities) (100%) $M
KGIT	2012	1.8	1.3	401.7	154.9	246.8
	2011	–	–	–	–	–
MGJ	2012	65.7	38.6	283.9	–	283.9
	2011	54.7	50.6	823.0	499.3	323.7
Princeton Lux	2012	5.2	(2.5)	136.9	6.5	130.4
	2011	2.6	1.6	63.4	64.7	(1.3)
Princeton Jersey	2012	3.4	2.9	50.3	1.7	48.6
	2011	3.4	2.7	35.5	1.0	34.5
Colworth	2012	9.5	(2.3)	74.8	43.7	31.1
	2011	6.5	2.7	73.0	40.3	32.7
Harwell	2012	0.2	(0.6)	8.3	1.0	7.3
	2011	1.1	0.5	8.5	0.7	7.8
Huntingwood East	2012	–	–	28.8	43.9	(15.1)
	2011	–	–	26.0	36.9	(10.9)
Bungarribee	2012	–	–	47.6	66.6	(19.0)
	2011	–	–	80.4	98.5	(18.1)
HDL	2012	17.9	13.1	385.3	163.0	222.3
	2011	20.2	10.8	353.6	145.8	207.8
BL Goodman LLP	2012	0.1	(2.4)	27.3	30.0	(2.7)
	2011	–	(0.4)	23.0	23.2	(0.2)
B Logistics Ltd	2012	4.0	0.3	8.8	2.6	6.2
	2011	–	–	11.4	2.3	9.1

1. Amounts presented above for revenue and result after tax are measured from the later of the beginning of the financial year or the date that equity accounting commenced to the end of the financial year or date equity accounting ceased, if earlier.
2. Included in the statements of financial position of the Consolidated Entity's JVEs are total non-current assets of $1,446.9 million (2011: $1,356.9 million) and total non-current liabilities of $467.6 million (2011: $407.9 million).

13 Other financial assets

	Consolidated 2012 $M	Consolidated 2011 $M
Investment in unlisted securities, at fair value[1]	13.6	25.7
	13.6	**25.7**

1. The investment in unlisted securities relates to GEBPF. The fair value of GEBPF is determined by reference to the net asset value per security advised to investors.

14 Plant and equipment

	Consolidated 2012 $M	Consolidated 2011 $M
Leasehold improvements, at cost	6.4	4.1
Accumulated amortisation	(1.8)	(1.3)
	4.6	**2.8**
Plant and equipment, at cost	28.4	20.1
Accumulated depreciation	(20.3)	(16.0)
	8.1	**4.1**
Total plant and equipment, at net book value	**12.7**	**6.9**
Reconciliation		
Leasehold improvements		
Carrying amount at the beginning of the year	2.8	5.0
Additions	2.5	0.3
Disposals	(0.2)	(1.2)
Amortisation	(0.5)	(0.4)
Effect of foreign currency translation	–	(0.9)
Carrying amount at the end of the year	**4.6**	**2.8**
Plant and equipment		
Carrying amount at the beginning of the year	4.1	7.7
Additions	9.3	3.7
Disposals	(0.4)	(1.6)
Depreciation	(4.8)	(5.4)
Effect of foreign currency translation	(0.1)	(0.3)
Carrying amount at the end of the year	**8.1**	**4.1**

15 Intangible assets

	Consolidated 2012 $M	Consolidated 2011 $M
Goodwill relating to European and North American operations, at cost less impairment	550.3	598.2
Management rights relating to Asia Pacific operations, at cost less impairment	51.9	49.5
Management rights relating to European operations, at cost less impairment	181.0	180.2
	783.2	**827.9**

15 Intangible assets continued

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

Carrying amounts	Note	Balance at 1 July 2010 $M	Balance at 30 June 2011 $M	Balance at 30 June 2012 $M
Goodwill				
Logistics – Continental Europe	15(a)	539.3	513.6	470.1
Logistics – United Kingdom	15(b)	104.7	84.6	75.3
Logistics – North America		–	–	4.9
Subtotal – goodwill		**644.0**	**598.2**	**550.3**
Asia Pacific management rights				
Fund management – New Zealand		5.5	5.2	5.3
Fund management – Hong Kong	15(c)	23.8	18.8	19.9
Fund management – China	15(d)	32.3	25.5	26.7
Subtotal – Asia Pacific management rights		**61.6**	**49.5**	**51.9**
European management rights				
Logistics – Continental Europe	15(a)	30.8	29.3	26.8
Business Parks – United Kingdom	15(e)	184.4	150.9	154.2
Science Parks – United Kingdom		8.6	–	–
Subtotal – European management rights		**223.8**	**180.2**	**181.0**
Subtotal – management rights		**285.4**	**229.7**	**232.9**
Total		**929.4**	**827.9**	**783.2**

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

Cost	Balance at 1 July 2010 $M	Effect of foreign currency translation $M	Balance at 30 June 2011 $M	Acquisitions $M	Effect of foreign currency translation $M	Balance at 30 June 2012 $M
Goodwill						
Logistics – Continental Europe	546.1	(26.0)	520.1	–	(44.1)	476.0
Business Parks – Continental Europe	6.7	(0.3)	6.4	–	(0.5)	5.9
Logistics – United Kingdom	124.7	(18.1)	106.6	–	2.4	109.0
Logistics – North America	–	–	–	4.9	–	4.9
Subtotal – goodwill	**677.5**	**(44.4)**	**633.1**	**4.9**	**(42.2)**	**595.8**
Asia Pacific management rights						
Fund management – New Zealand	5.5	(0.3)	5.2	–	0.1	5.3
Fund management – Hong Kong	23.8	(5.0)	18.8	–	1.1	19.9
Fund management – China	32.3	(6.8)	25.5	–	1.2	26.7
Subtotal – Asia Pacific management rights	**61.6**	**(12.1)**	**49.5**	**–**	**2.4**	**51.9**
European management rights						
Logistics – Continental Europe	30.8	(1.5)	29.3	–	(2.5)	26.8
Business Parks – Continental Europe	10.1	(0.5)	9.6	–	(0.8)	8.8
Business Parks – United Kingdom	184.4	(27.8)	156.6	–	3.4	160.0
Science Parks – United Kingdom	15.7	(2.4)	13.3	–	0.3	13.6
Subtotal – European management rights	**241.0**	**(32.2)**	**208.8**	**–**	**0.4**	**209.2**
Subtotal – management rights	**302.6**	**(44.3)**	**258.3**	**–**	**2.8**	**261.1**
Total	**980.1**	**(88.7)**	**891.4**	**4.9**	**(39.4)**	**856.9**

15 Intangible assets continued

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

Impairment losses	Balance at 1 July 2010 $M	Impairment $M	Effect of foreign currency translation $M	Balance at 30 June 2011 $M	Impairment $M	Effect of foreign currency translation $M	Balance at 30 June 2012 $M
Goodwill							
Logistics – Continental Europe	6.8	–	(0.3)	6.5	–	(0.6)	5.9
Business Parks – Continental Europe	6.7	–	(0.3)	6.4	–	(0.5)	5.9
Logistics – United Kingdom	20.0	5.0	(3.0)	22.0	11.1	0.6	33.7
Logistics – North America	–	–	–	–	–	–	–
Subtotal – goodwill	**33.5**	**5.0**	**(3.6)**	**34.9**	**11.1**	**(0.5)**	**45.5**
Asia Pacific management rights							
Fund management – New Zealand	–	–	–	–	–	–	–
Fund management – Hong Kong	–	–	–	–	–	–	–
Fund management – China	–	–	–	–	–	–	–
Subtotal – Asia Pacific management rights	**–**	**–**	**–**	**–**	**–**	**–**	**–**
European management rights							
Logistics – Continental Europe	–	–	–	–	–	–	–
Business Parks – Continental Europe	10.1	–	(0.5)	9.6	–	(0.8)	8.8
Business Parks – United Kingdom	–	6.0	(0.3)	5.7	–	0.1	5.8
Science Parks – United Kingdom	7.1	8.0	(1.8)	13.3	–	0.3	13.6
Subtotal – European management rights	**17.2**	**14.0**	**(2.6)**	**28.6**	**–**	**(0.4)**	**28.2**
Subtotal – management rights	**17.2**	**14.0**	**(2.6)**	**28.6**	**–**	**(0.4)**	**28.2**
Total	**50.7**	**19.0**	**(6.2)**	**63.5**	**11.1**	**(0.9)**	**73.7**

Additions during the current financial year

During the year, Goodman entered into an agreement with California based Birtcher Development & Investments (Birtcher), focused on the development of, and investment in, prime quality logistics and industrial facilities in key locations across North America. The payment to Birtcher of US$5.0 million (A$4.9 million) has been capitalised as goodwill.

Impairment charge

In the current financial year, an impairment loss has been reflected against the goodwill balance associated with the Logistics – United Kingdom division, as the lower levels of activity in the United Kingdom market are likely to remain for a greater period of time than was previously forecast.

Impairment losses have been reflected in the income statement (refer to note 5). There have been no reversals of impairment losses during the financial year (2011: $nil).

Impairment testing for intangible assets

For the purpose of impairment testing, goodwill and indefinite life management rights are allocated to Goodman's divisions or subdivisions (business units), representing the lowest level within Goodman at which the goodwill and indefinite life management rights are monitored for internal management purposes.

The impairment tests for all intangible assets were based on each division's or business unit's value in use. Value in use was determined by discounting the future cash flows generated from continuing operations. The future cash flows for all intangible assets were based on fund and development forecasts and then estimating a year five terminal value using a terminal growth rate and the division's discount rate. Where goodwill and management rights arise in the same division or business unit, impairment testing has been performed on the combined intangible asset. No impairment testing was performed in relation to the North America goodwill.

15 Intangible assets continued

One of the key assumptions in relation to the impairment testing is that the management rights relating to Asia Pacific and European operations are assessed to have an indefinite life as these rights are routinely renewed at minimal cost. A summary of the other key assumptions for each division is set out below. Averages relate to average amounts over the five year forecast period:

		Logistics – Continental Europe	Logistics – United Kingdom	New Zealand	Hong Kong	China	Business Parks – United Kingdom
Value in use (A$M)[1]	30 Jun 2012	532.4	75.8	69.1	117.1	101.6	156.4
	30 Jun 2011	612.4	84.6	55.5	82.2	41.3	153.0
Pre-tax discount rate (pa)[2]	30 Jun 2012	14.5%	15.9%	17.1%	11.3%	19.0%	10.0%
	30 Jun 2011	14.4%	17.3%	18.3%	12.0%	20.3%	10.6%
Average annual development (million square metres)	30 Jun 2012	0.83	0.23	0.04	–	0.52	0.05
	30 Jun 2011	0.81	0.24	0.06	0.04	0.55	0.05
Average annual growth in assets under management (AUM)[3]	30 Jun 2012	17.4%	66.5%	3.5%	3.8%	49.3%	(0.6%)
	30 Jun 2011	22.2%	49.0%	3.2%	8.0%	26.4%	0.9%
Total performance fees (A$M)	30 Jun 2012	–	–	–	41.6	–	19.9
	30 Jun 2011	–	–	3.7	32.4	–	14.2
Average annual increase in operating expenses[4]	30 Jun 2012	7.3%	5.6%	2.6%	5.8%	22.7%	1.4%
	30 Jun 2011	11.0%	3.0%	2.6%	7.3%	8.0%	2.5%

1. When assessing a potential impairment, the value in use is compared against the sum of the intangible asset balance and the plant and equipment balance for each division. The value in use balance is translated at the foreign currency exchange rate as at the end of the financial year.
2. A risk premium is included in each division's discount rate, reflecting the level of forecasting, size, country and financing risks for that division.
3. AUM growth rates are highest in Logistics – United Kingdom and in China. For Logistics – United Kingdom, this reflects the fact that the initial portfolios contain a low number of completed properties and the AUM is augmented by completed developments over the forecast period. For China, this reflects the increased equity commitments by the equity investors in the GCLHL managed fund.
4. The average year on year increase in operating expenses in China reflects the increased expenditure required to support the forecast increase in size of the division.

15 Intangible assets continued

Impairment testing for intangible assets continued

Development activity

For impairment testing in both 2012 and 2011, demand is assumed to continue to grow for new industrial product in each market. This demand is driven by a trend towards modern distribution methods, e-tailing, use of specialist logistics operations and modern well located facilities. Earnings forecasts for each division include projects which have not yet been contracted. The majority of developed product is expected to be sold to funds managed by Goodman although sales to third parties are also assumed for most divisions. For Logistics – United Kingdom and in China, the forecasts assume an increase in development starts (by area) each year.

The forecast models assume that capital continues to be available to the principal funds managed by Goodman in the divisions referred to above. This capital is assumed to be made available to fund acquisitions of property (complete or under development) and services from Goodman. These investment activities generate development management revenue and transactional profits for the Consolidated Entity.

Specific development assumptions included in the five year forecasts

(a) Logistics – Continental Europe

The forecasts assume that development starts (by area) per annum will be maintained at 0.9 million square metres of business space from year 3. However, Goodman's share of the forecast development margins is lower as a result of the increased development activity on the funds' balance sheets rather than on Goodman's balance sheet. This level of development is consistent with that achieved in the current financial year. The estimated total cash outflow (from both Goodman and the funds) required to finance the assumed development pipeline stays relatively constant across the forecast period in the region of A$0.5 billion to A$0.6 billion per annum.

(b) Logistics – United Kingdom

The United Kingdom economy is currently showing little to no growth and the level of development activity continues to be weak, although the supply of new product in the core areas of the United Kingdom is now limited. Development activity is forecast to increase in the short term and peak in year three at approximately 0.3 million square metres business space per annum; however, the average level of development per annum and the forecast margins over the forecast period are lower compared to the assumptions made in the comparative financial year. The majority of development land is expected to be sold to the Princeton Jersey JVE with the remaining on balance sheet development properties assumed to be developed by Goodman on behalf of third parties. This is consistent with the assumptions made in the comparative financial year.

(c) Hong Kong

The forecast period does not include any significant contributions from development activity.

(d) China

The forecasts assume that existing development sites on both Goodman's and GCLHL's balance sheets (the combined land area at 30 June 2012 was approximately 0.8 million square metres) are fully developed and will be held by GCLHL on completion. Additional land in both existing and new markets will be acquired by Goodman and developed on Goodman's balance sheet for ultimate ownership by GCLHL, with the level of development starts (by area) increasing from 0.3 million square metres per annum to 0.7 million square metres per annum over the forecast period. This increase is supported by the current availability of land and also the increased equity commitments by the investors in GCLHL. The estimated total cash outflow required to fund the assumed development pipeline increases across the forecast period to approximately A$0.4 billion per annum in years four and five.

(e) Business Parks – United Kingdom

The United Kingdom property market remains a difficult operating environment in the short term. The development forecasts are consistent with those prepared as part of the impairment assessment in the prior year and reflect the forecasts agreed with investors as part of the extension of ABPP to July 2017. The ABPP land bank is currently 1.4 million square metres, of which 0.8 million square metres has planning consent, and the forecast assumes that development starts per annum average 0.05 million square metres per annum over the five year period.

Sources of funding for development activity

For impairment testing in both 2012 and 2011, capital inflows required to fund development activity in each division are assumed to flow from the following sources: equity investment directly into managed funds (including distribution reinvestment plans) from private and public markets; the creation of joint ventures or other investment structures involving Goodman; lending facilities (general term facilities or construction financing facilities) advanced to Goodman and/or equity investors; debt capital markets; turnkey developments; and proceeds from an orderly assets sale programme. It is not practicable to determine the approximate ratio of the total which will flow from each source.

Funds available to Goodman and potential equity investors are assumed to be sourced from available global markets and are not limited to lending markets in the regions to which the relevant intangible asset relates. There continues to be uncertainty relating to the availability of these cash inflows given the uncertainty in global debt and investment market conditions. However, the downturn in earnings resulting from a combination of the Consolidated Entity's capital preservation strategies and severe adverse conditions in certain markets experienced between 2008 and 2009 is assumed not to recur in the foreseeable property cycle.

Margins to be earned from development activity

For the majority of divisions, margins from development activity are relatively consistent over the forecast period.

Growth in assets under management

The principal increases in AUM over the forecast period are in Logistics – Continental Europe, Logistics – United Kingdom and in China. This forecast growth is a result of the acquisition of developed product by managed funds and will also generate an increase in base fund management fees in each division.

For Logistics – Continental Europe, the average annual increase in AUM of 17.4% (2011: 22.2%) over the forecast period is consistent with the prior year forecasts. During the current financial year, the division achieved the previously forecast level of development and GELF completed a €351.0 million rights issue and secured a new €800.0 million debt package to provide liquidity for the fund. For Logistics – United Kingdom, the average annual increase in AUM of 66.5% over the forecast period reflects the fact that the division is starting from a low base. Over the forecast period, the division is assumed to grow its AUM to £465.0 million. For China the average annual increase in AUM of 49.3% is a result of the forecast growth in GCLHL. During the year, the GCLHL investors increased their equity commitment to US$500.0 million and the fund also secured a new US$100.0 million five year facility.

In addition to the increase in AUM from development activity, AUM will also be impacted by property values. In the year ended 30 June 2012, investment property values in each market were relatively stable. For each division, growth in property values has been forecast as a result of increased rental income; however, only Business Parks – United Kingdom has assumed a growth in property values through movements in capitalisation rates. Business Parks – United Kingdom has assumed a decrease in capitalisation rates of approximately 25 basis points for prime assets over the forecast period. This assumption is consistent with the assumption adopted in the prior year.

New funds or joint ventures

No new funds or joint ventures have been assumed by any division in their impairment testing.

Performance fees

Performance fee revenue has been assumed in both the Hong Kong and Business Parks – United Kingdom divisions. The levels of performance fees are consistent with the prior year's forecasts.

Operating expenses

Operating expenses in Logistics – Continental Europe are forecast to increase by an average of 7.3% per annum over the forecast period, although this average increase has again reduced compared to the prior year as the future level of development activity over the forecast period is assumed to be in line with that achieved in the current financial year.

China is forecasting an average increase in operating expenses of 22.7% per annum, which reflects the forecast increase in both development activity and AUM over the forecast period.

For all other divisions, operating expenses are expected to increase on average at rates between 1.4% and 5.8% per annum, which are broadly in line with the prior year.

15 Intangible assets continued

Impairment testing for intangible assets continued

Assumptions impacting the terminal year

		Logistics – Continental Europe	Logistics – United Kingdom	New Zealand	Hong Kong	China	Business Parks – United Kingdom
Growth rate (pa)[1]	30 Jun 2012	1.6%	2.6%	2.6%	3.2%	3.0%	2.6%
	30 Jun 2011	1.8%	2.7%	2.9%	3.1%	1.6%	2.7%
Development in terminal year (million square metres)	30 Jun 2012	0.89	0.28	0.04	–	0.68	0.03
	30 Jun 2011	0.89	0.24	0.07	–	0.69	0.04
Development in terminal year (cost in A$ billion)[2]	30 Jun 2012	0.63	0.23	0.06	–	0.36	0.08
	30 Jun 2011	0.70	0.20	0.08	–	0.31	0.09

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

Sensitivity analysis

The table below shows the impact on the impairment charge of changes in key assumptions at 30 June 2012:

30 June 2012	Increase discount rate by 100 bps[1] $M	Six month delay in development projects[2] $M	10% decrease in development margins in each year $M	10% decrease in property values in each year $M	5% increase in forecast operating costs each year $M	25% reduction in performance fees in each year $M
Logistics – Continental Europe	–	–	(147.7)	–	–	–
Logistics – United Kingdom	(7.5)	(27.9)	(19.4)	(1.7)	(7.2)	–
New Zealand	–	–	–	–	–	–
Hong Kong	–	–	–	–	–	–
China	–	–	–	–	–	–
Business Parks – United Kingdom	(5.7)	(2.7)	(0.8)	(12.2)	(7.7)	(13.6)

1. Incremental impairment loss from a 100 basis points increase in the discount rate, assuming all other assumptions remain unchanged.
2. In the current financial year, sensitivity regarding the six month delay in development projects has been applied to all development projects. In the prior year, it was only applied to development management contracts.

The table below shows the impact on the impairment charge of changes in key assumptions at 30 June 2011:

30 June 2011	Increase discount rate by 100 bps[1] $M	Six month delay in development projects $M	10% decrease in development margins in each year $M	10% decrease in property values in each year $M	5% increase in forecast operating costs each year $M	25% reduction in performance fees in each year $M
Logistics – Continental Europe[2]	–	–	(110.8)	–	–	–
Logistics – United Kingdom	(3.1)	–	(21.7)	(1.5)	(2.5)	–
New Zealand	–	–	–	–	–	–
Hong Kong	–	–	–	–	–	–
China	–	–	(2.7)	–	–	–
Business Parks – United Kingdom	(5.7)	(4.1)	(1.5)	(12.5)	(7.5)	(7.2)

1. Incremental impairment loss from a 100 basis points increase in the discount rate, assuming all other assumptions remain unchanged.
2. The value in use for intangible assets relating to the Logistics – Continental Europe business is sensitive to changes in the volume of business space expected to be developed. Using development area of 0.5 million square metres in years four and five, the impairment loss to the business would be $201.9 million.

16 Payables

	Consolidated 2012 $M	2011 $M
Current		
Trade payables	145.9	86.5
Other payables and accruals	110.5	126.9
Derivative financial instruments	3.1	1.2
	259.5	**214.6**
Non-current		
Other payables and accruals	21.4	19.0
Derivative financial instruments	146.3	137.3
	167.7	**156.3**

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

Amounts in A$M	NZD	HKD	USD	GBP	EUR	JPY
2012	2.1	5.2	89.5	71.5	65.6	3.0
2011	2.5	16.1	0.5	78.1	76.3	2.4

17 Interest bearing liabilities

	Note	Consolidated 2012 $M	2011 $M
Current			
Bank loans, unsecured	17(a)	42.5	–
		42.5	**–**
Non-current			
Bank loans, unsecured	17(a)	434.1	589.3
Euro medium-term notes, unsecured	17(b)	382.9	375.0
US senior notes, unsecured	17(c)	1,300.1	768.2
Foreign private placements, unsecured	17(d)	187.9	181.3
		2,305.0	**1,913.8**

17 Interest bearing liabilities continued

(a) Bank loans, unsecured

		Amounts drawn down in A$M equivalents						
Facility		AUD	NZD	USD	JPY	EUR	GBP	Total
Bank loan[1]	30 Jun 2012	100.0	2.3	–	–	–	–	102.3
	30 Jun 2011	120.0	–	–	–	–	–	120.0
Bank loan[2]	30 Jun 2012	150.0	–	–	–	–	–	150.0
	30 Jun 2011	150.0	–	–	–	–	–	150.0
Bank loan[3]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	100.0	–	–	–	–	–	100.0
Bank loan[4]	30 Jun 2012	–	–	42.5	–	–	–	42.5
	30 Jun 2011	–	–	46.5	–	–	–	46.5
Bank loan[5]	30 Jun 2012	21.0	–	–	–	–	–	21.0
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[6]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	–	–	55.4	–	55.4
Bank loan[7]	30 Jun 2012	–	–	52.5	5.6	–	–	58.1
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[8]	30 Jun 2012	80.0	–	–	–	–	–	80.0
	30 Jun 2011	–	–	–	–	–	–	–
Bank loans[9]	30 Jun 2012	–	–	–	–	–	36.8	36.8
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[10]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	–	–	4.6	57.0	61.6
Bank loans[11]	30 Jun 2012	–	15.7	–	–	–	–	15.7
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[12]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	46.5	–	–	–	46.5
Bank loans[13]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	35.9	0.4	–	–	36.3
Total	**30 Jun 2012**	**351.0**	**18.0**	**95.0**	**5.6**	**–**	**36.8**	**506.4**
	30 Jun 2011	370.0	–	128.9	0.4	60.0	57.0	616.3
Less: Unamortised borrowing costs	30 Jun 2012							**(29.8)**
	30 Jun 2011							(27.0)
Total unsecured bank loans	**30 Jun 2012**							**476.6**
	30 Jun 2011							589.3

1. At 30 June 2012, the facility limit was A$150.0 million and the facility expires on 27 June 2016.
2. At 30 June 2012, the facility limit was A$150.0 million and the facility expires on 29 June 2016.
3. At 30 June 2012, the facility limit was A$100.0 million and the facility expires on 1 February 2015.
4. At 30 June 2012, the facility limit was A$49.1 million (US$50.0 million) and the facility expires on 28 June 2013.
5. At 30 June 2012, the facility limit was A$90.0 million and the facility expires on 21 December 2016.
6. At 30 June 2012, the facility limit was A$130.2 million (£85.0 million) and the facility expires on 17 August 2013.
7. At 30 June 2012, the facility limits were A$61.3 million (US$62.5 million) that expires on 30 April 2015 and A$62.3 million (¥5.04 billion) that expires on 30 April 2016.
8. At 30 June 2012, the facility limit was A$112.2 million and the facility expires on 29 June 2015.
9. At 30 June 2012, the facility limit was A$144.0 million (£94.0 million) and the facility expires on 13 May 2016.
10. At 30 June 2012, the facility limits were A$114.3 million (€92.5 million) that expires on 5 December 2012 and A$210.1 million (€170.0 million) that expires on 5 December 2013.
11. At 30 June 2012, the facility limit was A$97.9 million (NZ$125 million) and the facility expires on 15 May 2015.
12. This facility was fully repaid and cancelled during the current financial year.
13. This facility was fully repaid and cancelled during the current financial year.

The interest rates on the above unsecured bank facilities, before the impact of derivatives (refer to note 30), are based on variable floating rates plus margins for each of the relevant drawn currencies.

In addition to the above facilities, the Consolidated Entity had the following unsecured facilities that had not been drawn as at 30 June 2012 and 30 June 2011:

+ a A$77.2 million (€62.5 million) facility that expires on 6 June 2015; and
+ a A$1.4 million (£0.9 million) facility that expires on 1 September 2012.

17 Interest bearing liabilities continued

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A$382.9 million (2011: A$375.0 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 2012 was A$482.1 million (2011: A$455.3 million).

(c) United States senior notes, unsecured

As at 30 June 2012, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

+ A$318.9 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$490.6 million (US$500.0 million) maturing on 15 April 2021. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually; and
+ A$490.6 million (US$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued on 15 March 2012 at a fixed coupon of 6.0% payable semi-annually.

(d) Foreign private placements, unsecured

As at 30 June 2012, the Consolidated Entity had the following unsecured foreign private placements:

+ A$33.4 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
+ A$154.5 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon payable semi-annually and expires on 3 April 2023.

(e) Finance facilities

	Consolidated	
	2012 Facilities available $M	2011 Facilities utilised $M
At 30 June 2012		
Bank loans, unsecured	1,549.9	506.4
Euro medium-term notes, unsecured	382.9	382.9
United States senior notes, unsecured	1,300.1	1,300.1
Foreign private placements, unsecured	187.9	187.9
Bank guarantees[1]	–	25.3
	3,420.8	**2,402.6**
At 30 June 2011		
Bank loans, unsecured	1,727.1	616.3
Bank loans, secured	6.1	–
Euro medium-term notes, unsecured	375.0	375.0
United States senior notes, unsecured	768.2	768.2
Foreign private placements, unsecured	181.3	181.3
Bank guarantees[1]	–	27.7
	3,057.7	**1,968.5**

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

18 Employee benefits

Aggregate liability for employee benefits including on-costs	Note	Consolidated 2012 $M	Consolidated 2011 $M
Current			
Annual leave		4.9	4.1
Long service leave		1.1	0.9
Other employee benefits provision		38.4	35.5
		44.4	**40.5**
Non-current			
Long service leave		1.8	1.4
Defined benefit pension obligation	18(a)	31.9	16.5
		33.7	**17.9**

(a) Defined benefit pension obligation

During the current and prior financial year, the Consolidated Entity operated two United Kingdom defined benefit funds of the "final salary" type, both of which are closed to new entrants. There have been no changes to the scheme rules in the current and prior financial year. The total pension cost recognised in the income statement does not include actuarial gains or losses, which are recognised in the period in which they occur directly in equity.

	2012 $M	2011 $M
Change in benefit obligation		
Benefit obligation at the beginning of the year	58.5	64.2
Current service cost	0.4	0.6
Interest cost	3.3	3.1
Actuarial losses	5.8	1.6
Members' contributions	0.1	0.1
Curtailments or settlements	–	(0.4)
Benefits paid	(1.4)	(0.7)
Effect of foreign currency translation	1.1	(10.0)
Benefit obligation at the end of the year	**67.8**	**58.5**
Analysis of defined benefit obligation		
Funds that are wholly or partly funded	**67.8**	58.5
Change in fund assets		
Fair value of fund assets at the beginning of the year	42.0	42.2
Expected return on fund assets	2.5	2.2
Actuarial (losses)/gains	(9.9)	4.4
Employer contributions	1.9	1.1
Members' contributions	0.1	0.1
Curtailments or settlements	(0.2)	(0.5)
Benefits paid	(1.4)	(0.7)
Effect of foreign currency translation	0.9	(6.8)
Fair value of fund assets at the end of the year	**35.9**	**42.0**
Funding deficit at the end of the year	31.9	16.5
Net liability recognised at the end of the year	**31.9**	**16.5**
Components of pension cost		
Current service cost	0.4	0.6
Interest cost	3.3	3.1
Expected return on fund assets	(2.5)	(2.2)
Other	1.6	–
Total pension cost recognised in the income statement	**2.8**	**1.5**
Actuarial (losses)/gains recognised in equity	(15.7)	2.8
Less: Deferred tax benefit/(expense)	3.3	(1.0)
Net actuarial (losses)/gains recognised in equity	**(12.4)**	**1.8**

18 Employee benefits continued

(a) Defined benefit pension obligation continued

Fund assets

The actual return on fund assets during the financial year was a $0.3 million loss (2011: $6.0 million gain). The weighted average asset allocation at the end of the financial year was as follows:

	2012 %	2011 %
Equities	58.0	69.5
Cash	14.0	0.6
Bonds	28.0	29.9
	100.0	**100.0**

To develop the expected long-term rate of return on assets assumption, Goodman considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

	2012 % per annum	2011 % per annum
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.30	5.50
Rate of compensation increase	–	–
Weighted average assumptions used to determine total pension cost		
Discount rate	4.30	5.30
Expected long-term return on fund assets	3.80	5.60
Rate of benefit increase	2.80	3.30
Rate of compensation increase	–	–

Historical information	2012	2011	2010	2009	2008
Benefit obligation at the end of the year ($M)	(67.8)	(58.5)	(64.2)	(52.4)	(69.5)
Fair value of fund assets at the end of the year ($M)	35.9	42.0	42.2	49.1	55.1
Funding deficit ($M)	(31.9)	(16.5)	(22.0)	(3.3)	(14.4)
Difference between expected and actual return on fund assets					
Amount ($M)	(2.8)	4.0	3.1	(11.5)	(2.5)
Percentage of fund assets (%)	6.6	9.9	8.8	25.9	5.0
Experience gains/(losses) on fund liabilities					
Amount ($M)	1.8	(1.8)	(11.2)	0.3	(0.6)
Percentage of fund liabilities (%)	2.7	3.2	18.9	0.6	1.0

18 Employee benefits continued

(b) Share based payments

The Company provides equity based remuneration through the issue of shares under the LTIP. Under the LTIP Goodman can offer performance rights (sometimes known as zero priced options) and options to its employees. In prior financial years, Goodman offered options over securities under the EOP; however, the EOP was replaced with the LTIP as the design features of the LTIP more closely reflect the principles supported by Securityholders.

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

	Consolidated 2012 $M	Consolidated 2011 $M
Share based payments expense:		
– Equity settled	22.8	10.9
– Cash settled	1.6	0.8
– Other costs	0.2	0.5
	24.6	**12.2**

The share based payments expense during the current financial year is in relation to the performance rights granted under the LTIP and the Goodman Tax Exempt Plan (refer below). At 30 June 2012, a liability of $2.7 million (2011: $1.1 million) was recognised in relation to cash settled performance rights.

Details of the Consolidated Entity's equity based remuneration schemes are set out below.

(i) Long Term Incentive Plan

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

Non-Executive Directors are not entitled to participate in the LTIP and no rights over stapled securities were issued to Non-Executive Directors during the financial year and up to the date of signature of the consolidated financial report.

Under the terms of the LTIP and decisions made by the Directors in accordance with the plan, the issues of performance rights on 25 November 2011 and 30 September 2011 to employees were subject to the following broad terms:

+ the exercise of 25% of the total performance rights will be conditional on the Consolidated Entity achieving a TSR in excess of that achieved by 50% of listed entities in the S&P/ASX 200 index and the exercise of 75% of the total performance rights will be conditional on the Consolidated Entity achieving an operating EPS outcome at least at the target level notified to the market over a three year 'testing period' which ends on 30 June 2013 and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that the Consolidated Entity achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent the Consolidated Entity exceeds the 51st percentile in TSR, there is 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);
+ performance rights vest in three equal tranches on 3 September 2014, 2 September 2015 and 1 September 2016; and
+ the majority of Australian based employees were also permitted to receive up to $1,000 of restricted Goodman stapled securities under guidelines issued by the Australian Taxation Office. The allotment of these securities was made under the Goodman Tax Exempt Plan, as approved by the Board.

18 Employee benefits continued

(b) Share based payments continued

(i) Long Term Incentive Plan continued

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

	Number of rights	
	2012	2011 Restated[1]
Outstanding at the beginning of the year	18,579,948	9,962,722
Granted	12,380,368	9,110,566
Exercised	–	–
Forfeited	(963,633)	(493,340)
Outstanding at the end of the year	**29,996,683**	**18,579,948**
Exercisable at the end of the year	**–**	**–**

1. The number of performance rights has been adjusted for the consolidation of every five stapled securities into one stapled security during the year.

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

	Rights issued on 25 Nov 2011	Rights issued on 30 Sep 2011
Fair value at measurement date ($)	2.12	2.04
Security price ($)	2.90	2.90
Exercise price ($)	–	–
Expected volatility (%)	34.80	30.50
Rights expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	5.83	5.91
Average risk free rate of interest per annum (%)	3.09	3.74

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

+ relative TSR tranche: these rights have been valued using a Monte Carlo model which simulated total returns for each of the ASX 200 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.

(ii) Executive Option Plan

No employees were granted options under the EOP during the financial year and up to the date of signature of the consolidated financial report. Options previously issued under the EOP would have entitled an employee to acquire a Goodman stapled security on payment of the exercise price for the option; however, as the return on equity performance hurdles were not achieved, all the options lapsed in the current year.

The movement in the weighted average exercise prices and number of options was as follows:

	Weighted average exercise price		Number of securities	
	2012 $	2011 Restated[1] $	2012	2011 Restated[1]
Outstanding at the beginning of the year	24.60	24.60	26,162,700	27,664,289
Forfeited	24.60	24.25	(26,162,700)	(1,501,589)
Outstanding at the end of the year[2]	**–**	**24.60**	**–**	**26,162,700**
Exercisable at the end of the year	**–**	**–**	**–**	**–**

1. The number of options granted and the weighted average exercise price of the options have been adjusted for the consolidation of every five stapled securities into one stapled security during the year.
2. As at 30 June 2011, the options outstanding had a restated exercise price in the range of $14.92 to $35.72.

18 Employee benefits continued

(b) Share based payments continued

(iii) Employee Securities Acquisition Plan

No employees were granted securities under the ESAP during the financial year and up to the date of signature of the consolidated financial report. Securities previously issued under the ESAP would have entitled an employee to acquire a Goodman stapled security on payment of the exercise price for the security; however, as the return on equity performance hurdles were not achieved, all the securities lapsed in the current year.

At 30 June 2012, the weighted average exercise prices and number of securities issued under the ESAP were as follows:

	Weighted average exercise price		Number of securities	
	2012 $	2011 Restated[1] $	2012	2011 Restated[1]
Outstanding at the beginning of the year	35.85	28.20	2,927,100	7,264,495
Forfeited	35.85	23.00	(2,927,100)	(4,337,395)
Outstanding at the end of the year[2]	**–**	**35.85**	**–**	**2,927,100**
Exercisable at the end of the year	**–**	**–**	**–**	**–**

1. The number of securities issued under the ESAP and the weighted average exercise price of the securities have been adjusted for the consolidation of every five stapled securities into one stapled security during the year.
2. The outstanding securities under the ESAP at 30 June 2011 had a restated exercise price in the range of $31.40 to $36.15.

19 Provisions

Consolidated	Distributions to Security-holders $M	Onerous contracts $M	Rental guarantees $M	Total $M
Balance at the beginning of the year	147.2	11.1	17.9	176.2
Provisions made	283.1	0.2	4.0	287.3
Provisions used	(285.8)	(1.7)	(6.5)	(294.0)
Provisions reversed	–	–	(13.7)	(13.7)
Effect of foreign currency translation	–	0.3	0.2	0.5
Balance at the end of the year	**144.5**	**9.9**	**1.9**	**156.3**
Analysed as:				
Current	144.5	0.9	0.2	145.6
Non-current	–	9.0	1.7	10.7
	144.5	**9.9**	**1.9**	**156.3**

Onerous contracts

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

Onerous lease provisions relate to future lease costs of office accommodation vacated by Goodman. The leases expire at various dates between July 2012 and May 2022. Subleasing of certain surplus space has been agreed or assumed in future periods. A provision has been recognised for the obligation for all discounted future payments, net of assumed rental income.

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

Rental guarantees

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

20 Issued capital

	30 Jun 2012	30 Jun 2011 Restated[1]	30 Jun 2012	30 Jun 2011
	Number of securities		$M	$M
Stapled securities – issued and fully paid	1,605,107,477	1,471,656,988	7,516.0	7,207.7
Accumulated issue costs			(152.6)	(152.6)
Total issued capital			**7,363.4**	**7,055.1**

1. The number of securities has been adjusted for the consolidation of every five stapled securities into one stapled security during the year.

Terms and conditions

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

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

Consolidation of securities

On 12 April 2012, Goodman undertook an equity consolidation; every five stapled securities on issue were consolidated into one stapled security.

Movement of ordinary securities:

Date	Details	Number of securities Restated[1]	Issue price Restated[1] $	Share-holders $M	Unit-holders $M	Security-holders $M
1 Jul 2010	Opening balance	1,266,685,784		378.7	6,362.1	6,740.8
24 Dec 2010	Securities issued on conversion of preference securities by CIC	104,651,163	2.150	3.4	221.6	225.0
1 Feb 2011	Securities issued to employees under the Goodman Tax Exempt Plan	43,118	–	–	–	–
24 May 2011	Securities issued to Goodman Holdings Group for acquisition of Moorabbin Airport and Business Park[1]	45,076,923	3.625	1.4	162.0	163.4
27 May 2011	Securities issued on exercise of options by CIC	34,144,330	1.232	0.4	41.7	42.1
27 May 2011	Securities issued on exercise of options by CIC	21,055,670	1.732	0.3	36.1	36.4
30 Jun 2011	**Balance**	**1,471,656,988**		**384.2**	**6,823.5**	**7,207.7**
30 Sep 2011	Securities issued to employees under the Goodman Tax Exempt Plan	60,048	–	–	–	–
23 Dec 2011	Securities issued on conversion of preference securities by CIC	68,181,818	2.200	4.5	145.5	150.0
2 April 2012	Disposal of treasury securities	7,264,495	3.520	25.6	–	25.6
2 April 2012	Security Purchase Plan	2,383,468	3.250	0.5	7.2	7.7
12 Apr 2012	Securities issued due to upward rounding on consolidation of every five stapled securities to one stapled security	5,105	–	–	–	–
25 Jun 2012	Securities issued on conversion of preference securities by CIC	55,555,555	2.250	8.7	116.3	125.0
30 Jun 2012	**Balance**	**1,605,107,477**		**423.5**	**7,092.5**	**7,516.0**
	Less: Accumulated issue costs	–		(10.4)	(142.2)	(152.6)
30 Jun 2012	**Closing balance**	**1,605,107,477**		**413.1**	**6,950.3**	**7,363.4**

1. The issue price was determined by the market price at the date of the acquisition of Moorabbin Airport and Business Park. The agreed issue price under the terms of the contract with Goodman Holdings Group was $3.25 per security (refer to note 29(a)).

20 Issued capital continued

Movement of treasury securities:

Date	Details	Number of securities Restated[1]	Issue price Restated[1] $	Share-holders $M	Unit-holders $M	Security-holders $M
1 Jul 2010	Opening balance	7,264,495	–	–	–	–
30 Jun 2011	**Balance**	**7,264,495**	**–**	**–**	**–**	**–**
2 Apr 2012	Disposal of treasury securities	(7,264,495)	–	–	–	–
30 Jun 2012	**Closing balance**	**–**	**–**	**–**	**–**	**–**
30 Jun 2012	**Issued capital**	**1,605,107,477**	**–**	**–**	**–**	**–**
	Number of securities on issue on the ASX	**1,605,107,477**	**–**	**–**	**–**	**–**

1. The number of securities and the issue price per security have been adjusted for the consolidation of every five stapled securities into one stapled security during the year.

21 Reserves

	Note	Consolidated 30 Jun 2012 $M	Consolidated 30 Jun 2011 $M
Asset revaluation reserve	21(a)	(1,384.9)	(1,482.3)
Cash flow hedge reserve	21(b)	(27.0)	(64.3)
Foreign currency translation reserve	21(c)	(790.8)	(741.7)
Capital profits reserve	21(d)	(172.8)	(78.0)
Employee compensation reserve	21(e)	26.1	2.2
Defined benefit funds actuarial losses reserve	21(f)	(23.6)	(10.9)
Total reserves		**(2,373.0)**	**(2,375.0)**

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

	Shareholders 2012 $M	Shareholders 2011 $M	Unitholders 2012 $M	Unitholders 2011 $M	Securityholders 2012 $M	Securityholders 2011 $M
(a) Asset revaluation reserve						
Balance at the beginning of the year	(275.0)	(336.8)	(1,207.3)	(1,534.7)	(1,482.3)	(1,871.5)
Increase due to revaluation of other financial assets	–	–	(1.9)	14.3	(1.9)	14.3
Transfers to capital profits reserve	27.7	20.3	58.9	224.1	86.6	244.4
Transfers from (accumulated losses)/retained earnings	(46.1)	(2.7)	48.0	65.4	1.9	62.7
Fair value gain on other financial assets transferred to the income statement on disposal	–	–	–	(47.2)	–	(47.2)
Effect of foreign currency translation	(3.3)	44.2	14.1	70.8	10.8	115.0
Balance at the end of the year	**(296.7)**	**(275.0)**	**(1,088.2)**	**(1,207.3)**	**(1,384.9)**	**(1,482.3)**

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

	Shareholders 2012 $M	Shareholders 2011 $M	Unitholders 2012 $M	Unitholders 2011 $M	Securityholders 2012 $M	Securityholders 2011 $M
(b) Cash flow hedge reserve						
Balance at the beginning of the year	(2.5)	(9.1)	(61.8)	(147.3)	(64.3)	(156.4)
Change in value of financial instruments	–	–	5.4	36.1	5.4	36.1
Transfers to the income statement	2.2	5.2	29.0	37.3	31.2	42.5
Effect of foreign currency translation	(0.1)	1.4	0.8	12.1	0.7	13.5
Balance at the end of the year	**(0.4)**	**(2.5)**	**(26.6)**	**(61.8)**	**(27.0)**	**(64.3)**

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

21 Reserves continued

	Shareholders 2012 $M	2011 $M	Unitholders 2012 $M	2011 $M	Securityholders 2012 $M	2011 $M
(c) Foreign currency translation reserve						
Balance at the beginning of the year	(28.5)	(15.3)	(713.2)	(399.0)	(741.7)	(414.3)
Transfers to the income statement[1]	(0.6)	–	8.1	–	7.5	–
Net exchange differences on conversion of foreign operations	(19.7)	(13.2)	(36.9)	(314.2)	(56.6)	(327.4)
Balance at the end of the year	**(48.8)**	**(28.5)**	**(742.0)**	**(713.2)**	**(790.8)**	**(741.7)**

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

	Shareholders 2012 $M	2011 $M	Unitholders 2012 $M	2011 $M	Securityholders 2012 $M	2011 $M
(d) Capital profits reserve						
Balance at the beginning of the year	32.7	43.1	(110.7)	100.3	(78.0)	143.4
Transfers from asset revaluation reserve	(27.7)	(20.3)	(58.9)	(224.1)	(86.6)	(244.4)
Transfers from (accumulated losses)/ retained earnings	(3.2)	–	–	–	(3.2)	–
Effect of foreign currency translation	(3.0)	9.9	(2.0)	13.1	(5.0)	23.0
Balance at the end of the year	**(1.2)**	**32.7**	**(171.6)**	**(110.7)**	**(172.8)**	**(78.0)**

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

	Shareholders 2012 $M	2011 $M	Unitholders 2012 $M	2011 $M	Securityholders 2012 $M	2011 $M
(e) Employee compensation reserve						
Balance at the beginning of the year	2.2	(7.5)	–	–	2.2	(7.5)
Equity settled share based payments recognised in the income statement	22.8	10.9	–	–	22.8	10.9
Transfers to (accumulated losses)/ retained earnings	1.1	–	–	–	1.1	–
Other	–	(1.2)	–	–	–	(1.2)
Balance at the end of the year	**26.1**	**2.2**	**–**	**–**	**26.1**	**2.2**

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

	Shareholders 2012 $M	2011 $M	Unitholders 2012 $M	2011 $M	Securityholders 2012 $M	2011 $M
(f) Defined benefit funds actuarial losses reserve						
Balance at the beginning of the year	(10.9)	(15.0)	–	–	(10.9)	(15.0)
Actuarial (losses)/gains, net of tax	(12.4)	1.8	–	–	(12.4)	1.8
Effect of foreign currency translation	(0.3)	2.3	–	–	(0.3)	2.3
Balance at the end of the year	**(23.6)**	**(10.9)**	**–**	**–**	**(23.6)**	**(10.9)**

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

1. Reclassification of amounts in relation to the Singapore entities that were wound up during the current financial year.

22 (Accumulated losses)/retained earnings

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

	Shareholders		Unitholders		Securityholders	
	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M
Balance at the beginning of the year	(334.3)	(215.7)	95.0	(102.9)	(239.3)	(318.6)
Profit/(loss) for the year	294.4	(122.6)	113.9	514.6	408.3	392.0
Transfers to asset revaluation reserve	46.1	2.7	(48.0)	(65.4)	(1.9)	(62.7)
Transfers from capital profit reserve	3.2	–	–	–	3.2	–
Transfers from employee compensation reserve	(1.1)	–	–	–	(1.1)	–
Transfers from non-controlling interests	–	–	(20.7)	–	(20.7)	–
Distributions declared[1]	0.6	1.3	(283.7)	(251.3)	(283.1)	(250.0)
Balance at the end of the year	**8.9**	**(334.3)**	**(143.5)**	**95.0**	**(134.6)**	**(239.3)**

1. Distributions declared by GIT relating to ESAP securities are deducted in calculating Unitholders' allocation of (accumulated losses)/retained earnings and added to Shareholders' allocation of (accumulated losses)/retained earnings. This amount is eliminated on consolidation.

23 Other non-controlling interests

Other non-controlling interests in controlled entities comprise:

	Consolidated	
	2012 $M	2011 $M
Goodman PLUS Trust hybrid securities	318.8	318.8
CIC convertible preference securities	–	254.3
	318.8	**573.1**

Goodman PLUS Trust hybrid securities

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

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

CIC convertible preference securities

On 23 December 2011 and 25 June 2012, CIC converted $150.0 million and $125.0 million preference securities to ordinary stapled securities at restated prices of $2.20 and $2.25 respectively per security. At 30 June 2012, there are no CIC preference securities on issue.

24 Acquisition of business

On 20 June 2012, Goodman entered into an agreement with Birtcher Development & Investments (Birtcher), focused on the development of, and investment in, prime quality logistics and industrial facilities in key locations across North America. Goodman, via its controlled entity Goodman Birtcher North America LLC (GBNA), has agreed to pay A$4.9 million (US$5.0 million) to Birtcher for its expertise in the North American market and existing employee arrangements and this amount has been capitalised as goodwill (refer to note 15). Under the arrangement, Birtcher is entitled to 10% of the profit of GBNA, post Goodman's preferred return.

The arrangement will allow the Consolidated Entity to access top tier development sites in North America to deliver new investment product for global and local customers in partnership with Goodman's global capital partners.

Goodman has incurred costs of $3.0 million in respect of the acquisition, which includes internal costs of $1.3 million.

25 Commitments

	Consolidated 2012 $M	Consolidated 2011 $M
Capital expenditure commitments on Goodman's existing portfolio		
Contracted but not provided for and payable:		
– Within one year	30.6	34.2
– One year or later and no later than five years	2.4	–
– Later than five years	–	–
	33.0	**34.2**
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	12.2	10.0
– One year or later and no later than five years	30.3	24.1
– Later than five years	20.9	26.9
	63.4	**61.0**

At 30 June 2012, the Consolidated Entity was also committed to the following expenditure in respect of development activities:

+ $98.7 million (2011: $91.6 million) on inventories;
+ $11.8 million (2011: $19.0 million) on construction contracts; and
+ $36.4 million (2011: $nil) on funding for developments in JVEs.

Acquisition of investment properties

Amounts contracted for the acquisition of investment properties not provided for at 30 June 2012 are $nil (2011: $47.7 million).

Commitment to investment in funds managed by Goodman

At 30 June 2012, the Consolidated Entity was committed to invest A$58.0 million (2011: A$nil) into GCLHL to fund property acquisitions.

At 30 June 2012, the Consolidated Entity was committed to invest A$82.1 million (30 June 2011: A$nil) into GELF, being Goodman's share of the uncalled amount of the rights issue that was finalised in November 2011.

In relation to GAIF and GELF, the Consolidated Entity offers a limited liquidity facility to investors, which allows the investors to sell to the Consolidated Entity some or all of their investment in the funds. Limits apply to these liquidity facilities and Goodman is only required to offer to purchase up to 2.5% of the issued capital of GAIF and GELF each quarter. Furthermore, the Consolidated Entity is only required to purchase units where its co-investment in GAIF or GELF is below a prescribed limit. Currently, Goodman's interest (together with its custodian's interest) in GAIF is above the prescribed limit and this liquidity facility is not open for investors; however, Goodman's interest in GELF is below the prescribed limit and this liquidity facility is open for investors.

At the end of the prior financial year, the Consolidated Entity's was committed to invest:

+ A$14.7 million into GADF to fund property developments. This commitment was satisfied during the current financial year; and
+ A$76.8 million into GHKLF, which expired on 2 November 2011.

Non-cancellable operating lease receivables from investment property customers

	Consolidated 2012 $M	Consolidated 2011 $M
Non-cancellable operating lease commitments receivable:		
– Within one year	177.9	173.5
– One year or later and no later than five years	476.7	490.7
– Later than five years	178.1	199.3
	832.7	**863.5**

26 Notes to the consolidated 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 2012 $M	Consolidated 2011 $M
Cash assets	**310.8**	**227.8**

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

	Consolidated 2012 $M	Consolidated 2011 $M
Profit for the year	**450.5**	**453.0**
Items classified as investing/financing activities		
Net gain on disposal of investment properties	(14.3)	(0.8)
Net gain on disposal of investments	(19.9)	(69.1)
Non-cash items		
Amortisation and depreciation	5.3	5.8
Share based payments expense	24.6	12.2
Net (gain)/loss on fair value adjustments on investment properties	(6.5)	26.4
Impairment losses	89.5	47.2
Share of net results of equity accounted investments	(166.6)	(174.5)
Net finance income	(58.6)	(49.1)
Income tax expense	9.7	7.5
Operating profit before changes in working capital and provisions	**313.7**	**258.6**
Changes in assets and liabilities during the year:		
– (Increase)/decrease in receivables	(11.2)	25.5
– Increase in inventories	(124.5)	(44.5)
– Increase in other assets	(7.1)	(13.4)
– (Decrease)/increase in payables	(3.2)	14.5
– Increase in provisions (including employee benefits)	14.6	9.3
	182.3	**250.0**
Distributions received from equity accounted investments	121.9	125.3
Net finance costs paid	(33.0)	(40.3)
Net income taxes paid	(4.4)	(1.2)
Net cash provided by operating activities	**266.8**	**333.8**

(c) Non-cash transactions

In the current financial year, the Consolidated Entity issued $275.0 million of stapled securities on conversion of preference securities by CIC. The Consolidated Entity also received distributions of $9.7 million from GMT in the form of units, under GMT's distribution reinvestment plan.

In the prior financial year, the Consolidated Entity:

+ issued $225.0 million of stapled securities on conversion of preference securities by CIC;
+ acquired Moorabbin Airport and Business Park (refer to note 29(a)) and part of the consideration included the issue of 45,076,923 stapled securities; and
+ received distributions of $15.1 million and $10.6 million from GAIF and GMT respectively in the form of units under their distribution reinvestment plans.

27 Controlled entities

The significant controlled companies and unit trusts of Goodman Limited are set out below:

Significant controlled companies	Country of incorporation
Goodman Europe (Aust) Pty Limited	Australia
Goodman Finance Australia Limited	Australia
Goodman Funding Pty Limited	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Singapore Industrial Management (Aust) Pty Limited	Australia
Goodman Vineyard Pty Limited	Australia
Goodman Singapore Holdings (Aust) Pty Limited	Australia
Moorabbin Airport Corporation Pty Limited	Australia
Goodman Belgium NV	Belgium
Goodman Management Services (Belgium) NV	Belgium
Willebroek Platform Project NV	Belgium
Goodman Developments Asia	Cayman Islands
Goodman Hong Kong Developments	Cayman Islands
MGI HK Finance	Cayman Islands
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman Czech Republic sro	Czech Republic
Goodman France Sàrl (formerly Goodman Logistics Developments (France) Sàrl)	France
Goodman Germany GmbH	Germany
SMH Sparkasse Mannesmann Hoffmeister Projektentwicklung GmbH & Co. KG	Germany
SMH Sparkasse Mannesmann Hoffmeister Projektentwicklung Verwaltungsgesellschaft mbH	Germany
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Hungary Ingatlankezelo Kft	Hungary
Goodman Italy srl	Italy
ABPP Investment Jersey Limited	Jersey
Goodman Burton (Jersey) Limited	Jersey
Goodman Citadel (Jersey) Limited	Jersey
Goodman Colnbrook (Jersey) Limited	Jersey
Goodman Coventry (Jersey) Limited	Jersey
Goodman Daventry (Jersey) Limited	Jersey
Goodman Ellesmere Port (Jersey) Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Gloucester (Jersey) Limited	Jersey
Goodman Harthills (Jersey) Limited	Jersey
Goodman Holdings (Jersey) Limited	Jersey
Goodman Logistics (Jersey) Limited	Jersey
Goodman Maltby (Jersey) Limited	Jersey
Goodman Management (Jersey) Limited	Jersey
Goodman Oceanview Logistics (Jersey) Limited	Jersey
Goodman Property Holdings (Jersey) Limited	Jersey
Goodman Thurrock (Jersey) Limited	Jersey
Goodman West Thurrock (Jersey) Limited	Jersey
GELF Management (Lux) Sàrl	Luxembourg
Goodman APP 1&2 (Lux) Sàrl	Luxembourg
Goodman APP 3 (Lux) Sàrl	Luxembourg
Goodman APP 4,5, & CdV (Lux) Sàrl	Luxembourg
Goodman APP Holdings (Lux) Sàrl	Luxembourg
Goodman Europe (Lux) SA	Luxembourg
Goodman Feldspar Logistics (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Heliotrope Logistics (Lux) Sàrl	Luxembourg
Goodman Hematite Logistics (Lux) Sàrl	Luxembourg
Goodman Jasper Logistics (Lux) Sàrl	Luxembourg
Goodman Leucite Logistics (Lux) Sàrl	Luxembourg
Goodman Magnetite Logistics (Lux) Sàrl	Luxembourg

27 Controlled entities continued

Significant controlled companies	Country of incorporation
Goodman Management Holdings (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
Goodman Serpentine Logistics (Lux) Sàrl	Luxembourg
Goodman Turquoise Logistics (Lux) Sàrl	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Oak Logistics Sàrl	Luxembourg
Rowan Logistics Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman Poland Sp zoo	Poland
Goodman Funding Singapore Pte Limited	Singapore
Goodman Japan Holdings (Singapore) Pte Limited	Singapore
Goodman Real Estate (Spain) SL	Spain
Goodman Senec 1 Logistics (Slovakia) sro	Slovakia
Goodman Slovakia sro	Slovakia
Goodman Spain SL	Spain
Goodman Logistics Developments (Netherlands) B.V.	The Netherlands
Aquamarine Gayrimenkul Ticareti Anonim Şirketi	Turkey
Goodman Gayrimenkul Ticareti Anonim Şirketi	Turkey
Ancosec Limited	United Kingdom
Arlington Business Parks GP Limited	United Kingdom
Dollhurst Limited	United Kingdom
Dollmist Limited	United Kingdom
Dollplace Limited	United Kingdom
Goodman BidCo 1 (UK) Limited	United Kingdom
Goodman BidCo 3 (UK) Limited	United Kingdom
Goodman Business Parks (UK) Limited	United Kingdom
Goodman Business Services (UK) Limited	United Kingdom
Goodman Development Management (UK) Limited	United Kingdom
Goodman Group Holdings (UK) Limited	United Kingdom
Goodman Hinckley (UK) Limited	United Kingdom
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman LP (UK) Limited	United Kingdom
Goodman NCP (UK) Limited	United Kingdom
Goodman Net Services (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Peterborough (UK) Limited (formerly Frenbury Properties Limited)	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Real Estate Developments (2003)	United Kingdom
Goodman Real Estate Services (UK) Limited	United Kingdom
Goodman Real Estate (UK) Limited	United Kingdom
Goodman Science Park GP (UK) Limited	United Kingdom
Goodman Science Park LP (UK) Limited	United Kingdom
Goodman Top Co (UK) Limited	United Kingdom
Goodman UK Limited	United Kingdom
Goodman UK Pension Plan Trustees Limited	United Kingdom
Property Management Employment Services Ltd	United Kingdom

27 Controlled entities continued

Significant controlled unit trusts	Country of establishment
ABPP Investment Trust	Australia
BDE Unit Trust	Australia
Biloela Street Unit Trust	Australia
Binary No. 2 Trust	Australia
Cambridge Office Park Trust	Australia
Carter Street Trust	Australia
CC Trust	Australia
Clayton 3 Trust	Australia
Edinburgh Trust	Australia
Euston Road Subtrust	Australia
GEBPF Investment Trust	Australia
GIL Holdings (Aust) Trust	Australia
Goodman Capital Trust	Australia
Goodman Dandenong Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Hong Kong Investment Trust	Australia
Goodman Industrial Europe Finance Trust	Australia
Goodman Industrial Trust	Australia
Goodman Japan Investment Trust	Australia
Goodman Jersey Holdings Trust	Australia
Goodman JV Holding Trust	Australia
Goodman Palmers Trust	Australia
Goodman Perth Airport No. 1 Trust	Australia
Goodman Perth Airport No. 2 Trust	Australia
Goodman Perth Airport No. 3 Trust	Australia
Goodman PLUS Trust	Australia
Goodman Stockyards Trust	Australia
Goodman Treasury Trust	Australia
Highbrook Trust	Australia
Hill Road Trust	Australia
HK Tsuen Wan Development Trust	Australia
Homebush Subtrust	Australia
IBC Trust	Australia
MAC Unit Trust	Australia
Mfive Industry Park Trust	Australia
MGA Industrial Portfolio Trust	Australia
MIP Trust	Australia
Moorabbin Airport Unit Trust	Australia
Orion Road Trust	Australia
Penrose Trust	Australia
Perth Leasing Trust	Australia
Port Melbourne 3 Trust	Australia
Regal Business Park Trust	Australia
Saunders Street Trust	Australia
West Melbourne Trust	Australia
Waterloo Road Office Trust	Australia
Harwell Unit Trust	Jersey

28 Interest in joint venture operation

The Consolidated Entity participates equally in a joint venture operation with Austral relating to the M7 Business Hub development in Sydney. Under the terms of the joint venture agreement, the Consolidated Entity pays for infrastructure works.

Included in the assets and liabilities and the revenue and expenses of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint venture operation and the revenue and expenses recorded by the joint venture operation,. These amounts are recorded in accordance with the Consolidated Entity's accounting policies (refer to note 1(b)).

	Consolidated 2012 $M	Consolidated 2011 $M
Statement of financial position		
Trade receivables	1.1	11.8
Inventories	16.6	25.1
Payables	(20.6)	(40.9)
Net liabilities	**(2.9)**	**(4.0)**
Contribution to profit		
Revenue from disposal of inventories	11.4	18.8
Inventory cost of sales	(10.3)	(18.2)
Profit after tax	**1.1**	**0.6**

29 Related parties

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

Non-Executive Directors
Mr Ian Ferrier, AM
Mr Philip Fan[1]
Mr John Harkness
Mr James Hodgkinson[2]
Ms Anne Keating
Ms Rebecca McGrath[3]
Mr Phillip Pryke
Mr Jim Sloman, OAM

Executive Director
Mr Gregory Goodman

Other key management personnel
Mr Anthony Rozic
Mr Nick Kurtis
Mr Nick Vrondas
Mr Jason Little
Mr Philip Pearce
Mr Danny Peeters

1. Mr Philip Fan was appointed as a Non-Executive Director on 1 December 2011.
2. Mr James Hodgkinson resigned as a Non-Executive Director on 30 September 2011.
3. Ms Rebecca McGrath was appointed as a Non-Executive Director on 3 April 2012.

Key management personnel compensation

The key management personnel compensation totals are as follows:

	Consolidated 2012 $M	Consolidated 2011 $M	Goodman Limited[1] 2012 $M	Goodman Limited[1] 2011 $M
Short-term employee benefits	16.8	15.2	–	–
Post-employment benefits	0.2	0.2	–	–
Equity compensation benefits	7.6	3.8	–	–
Long-term employee benefits	0.1	0.1	–	–
	24.7	**19.3**	**–**	**–**

1. The key management personnel compensation is paid by wholly-owned controlled entities of the Company.

Individual Directors' and executives' compensation disclosures

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

29 Related parties continued

Rights and options over equity instruments

Performance rights

The executive key management personnel have been issued performance rights under the LTIP. The movements during the current financial year in the number of performance rights held, directly or beneficially, by key management personnel, including their related parties, were as follows:

	Year	Held at the start of the year[1,2]	Granted as compen-sation[2]	Exercised	Forfeited	Held at the end of the year	Vested during the year	Vested but not exercised at the end of the year
Executive Director								
Mr Gregory Goodman	2012	1,510,770	980,000	–	–	2,490,770	–	–
	2011	780,000	730,770	–	–	1,510,770	–	–
Executives								
Mr Anthony Rozic	2012	1,000,834	520,000	–	–	1,520,834	–	–
	2011	520,834	480,000	–	–	1,000,834	–	–
Mr Nick Kurtis	2012	1,000,834	520,000	–	–	1,520,834	–	–
	2011	520,834	480,000	–	–	1,000,834	–	–
Mr Nick Vrondas	2012	710,367	360,000	–	–	1,070,367	–	–
	2011	416,667	293,700	–	–	710,367	–	–
Mr Jason Little	2012	393,750	200,000	–	–	593,750	–	–
	2011	193,750	200,000	–	–	393,750	–	–
Mr Philip Pearce	2012	383,014	200,000	–	–	583,014	–	–
	2011	229,167	153,847	–	–	383,014	–	–
Mr Danny Peeters	2012	1,034,436	520,000	–	–	1,554,436	–	–
	2011	554,436	480,000	–	–	1,034,436	–	–

1. These figures represent the securities held at either the start of the financial year or the date of becoming a key management person, if later.
2. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.

None of the other key management personnel had any interests in performance rights over stapled securities.

29 Related parties continued

Rights and options over equity instruments continued

Options

In prior financial years, the executive key management personnel were issued with options under the EOP. The movements during the current financial year in the number of options held, directly or beneficially, by key management personnel, including their related parties, were as follows:

	Year	Held at the start of the year[1,2]	Granted as compensation	Exercised	Forfeited	Held at the end of the year	Vested during the year	Vested but not exercised at the end of the year
Executive Director								
Mr Gregory Goodman	2012	1,940,000	–	–	(1,940,000)	–	–	–
	2011	1,940,000	–	–	–	1,940,000	–	–
Executives								
Mr Anthony Rozic	2012	1,000,000	–	–	(1,000,000)	–	–	–
	2011	1,000,000	–	–	–	1,000,000	–	–
Mr Nick Kurtis	2012	1,000,000	–	–	(1,000,000)	–	–	–
	2011	1,000,000	–	–	–	1,000,000	–	–
Mr Nick Vrondas	2012	850,000	–	–	(850,000)	–	–	–
	2011	850,000	–	–	–	850,000	–	–
Mr Jason Little	2012	400,000	–	–	(400,000)	–	–	–
	2011	400,000	–	–	–	400,000	–	–
Mr Philip Pearce	2012	570,000	–	–	(570,000)	–	–	–
	2011	570,000	–	–	–	570,000	–	–
Mr Danny Peeters	2012	840,000	–	–	(840,000)	–	–	–
	2011	840,000	–	–	–	840,000	–	–

1. These figures represent the securities held at either the start of the financial year or the date of becoming a key management person, if later.
2. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.

None of the other key management personnel had any interests in options over stapled securities.

Employee Securities Acquisition Plan

In prior financial years, certain of the executive key management personnel were issued with securities under the ESAP. The movements during the current financial year in the number of ESAP securities held, directly or beneficially, by key management personnel, including their related parties, were as follows:

	Year	Held at the start of the year[1,2]	Granted as compensation	Exercised	Forfeited[3]	Held at the end of the year	Vested during the year	Vested but not exercised at the end of the year
Executive Director								
Mr Gregory Goodman	2012	400,000	–	–	(400,000)	–	–	–
	2011	1,191,198	–	–	(791,198)	400,000	–	–
Executives								
Mr Anthony Rozic	2012	200,000	–	–	(200,000)	–	–	–
	2011	546,700	–	–	(346,700)	200,000	–	–
Mr Nick Kurtis	2012	190,000	–	–	(190,000)	–	–	–
	2011	536,700	–	–	(346,700)	190,000	–	–
Mr Nick Vrondas	2012	40,000	–	–	(40,000)	–	–	–
	2011	240,000	–	–	(200,000)	40,000	–	–
Mr Jason Little	2012	80,000	–	–	(80,000)	–	–	–
	2011	227,800	–	–	(147,800)	80,000	–	–

1. These figures represent the securities held at either the start of the financial year or the date of becoming a key management person, if later.
2. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year.
3. These figures represent securities that were either forfeited or expired unexercised during the current financial year.

None of the other key management personnel had any interests in the securities held under the ESAP.

29 Related parties continued

Movement in Goodman stapled securities

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

	Year	Held at the start of the year[1,2]	Acquisitions[2]	Disposals[2]	Held at the end of the year[3]
Non-Executive Directors					
Mr Ian Ferrier	2012	75,575	27,002	–	102,577
	2011	59,968	15,607	–	75,575
Mr Philip Fan	2012	–	2,954	–	2,954
	2011	–	–	–	–
Mr John Harkness	2012	59,731	10,110	–	69,841
	2011	53,874	5,857	–	59,731
Mr James Hodgkinson	2012	250,860	–	–	250,860
	2011	250,860	–	–	250,860
Ms Anne Keating	2012	60,974	–	–	60,974
	2011	60,974	–	–	60,974
Ms Rebecca McGrath	2012	–	–	–	–
	2011	–	–	–	–
Mr Phillip Pryke	2012	108,232	–	–	108,232
	2011	108,232	–	–	108,232
Mr Jim Sloman	2012	51,693	9,701	–	61,394
	2011	46,072	5,621	–	51,693
Executive Director					
Mr Gregory Goodman	2012	46,268,121	–	(1,191,198)	45,076,923
	2011	1,191,198	45,076,923	–	46,268,121
Executives					
Mr Anthony Rozic	2012	546,700	–	(546,700)	–
	2011	546,700	–	–	546,700
Mr Nick Kurtis	2012	536,700	3,591	(536,700)	3,591
	2011	536,700	–	–	536,700
Mr Nick Vrondas	2012	280,000	–	(240,000)	40,000
	2011	280,000	–	–	280,000
Mr Jason Little	2012	227,800	–	(227,800)	–
	2011	227,800	–	–	227,800
Mr Philip Pearce	2012	40,738	–	–	40,738
	2011	40,738	–	–	40,738
Mr Danny Peeters	2012	1,008,688	–	(408,688)	600,000
	2011	1,543,688	–	(535,000)	1,008,688

1. These figures represent the securities held at either the start of the financial year or the date of becoming a key management person, if later.
2. The comparative figures have been restated to adjust for the consolidation of every five stapled securities into one stapled security during the year. Disposals include the ESAP securities held, directly or beneficially, by key management personnel that were sold during the current financial year.
3. These figures represent the securities held at either the end of the financial year or the date of ceasing to be a key management person, if earlier.

29 Related parties continued

Movement in hybrid securities issued by Goodman PLUS Trust

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

	Year	Held at the start of the year[1]	Acquisitions	Disposals	Held at the end of the year[2]
Non-Executive Director					
James Hodgkinson	2012	2,660	–	–	2,660
	2011	–	2,660	–	2,660
Executives					
Mr Anthony Rozic	2012	1,000	–	–	1,000
	2011	1,000	–	–	1,000
Mr Nick Vrondas	2012	120	–	–	120
	2011	120	–	–	120

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

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

Transactions with key management personnel and their related entities

Goodman Holdings Group

Mr Gregory Goodman and Mr Patrick Goodman are directors of and shareholders in Goodman Holdings Group.

Moorabbin Airport and Business Park In the prior financial year, Goodman completed the acquisition from Goodman Holdings Group of the units in MAC Unit Trust which owned 100% of the ordinary shares of MAC Investment Corporation Pty Limited (MIC), which in turn owned 66.67% of the ordinary shares in Moorabbin Airport Corporation Pty Limited (MAC), which in turn held the leasehold interest in Moorabbin Airport and Business Park. At the same time, Goodman also indirectly acquired from an independent third party the units in Moorabbin Airport Unit Trust, which owned the remaining shares in MAC.

The consideration for both MAC Unit Trust and Moorabbin Airport Unit Trust, approved by Securityholders at the Extraordinary General Meeting of Goodman on 29 October 2010, included the issue of 45,076,923 stapled securities to the vendors at an agreed issue price of $3.25 each (amounts have been restated to take account of the one for five stapled security consolidation), cash of $35.0 million and repayment of MAC bank debt of $20.0 million. The stapled securities are currently held in escrow, one third until 24 May 2013 and the remainder until 24 May 2016, and the cash is being held in escrow until 24 May 2014. The principal asset of MAC was a leasehold interest in stabilised and development land, which was independently valued at $201.5 million. At the date of acquisition, MAC also had a bank facility drawn to $20.0 million. Goodman incurred costs of $13.3 million in respect of the transaction primarily relating to stamp duty. At 30 June 2011, there were no amounts outstanding in respect of this transaction.

Office rental costs

During the financial year, Goodman Holdings Group reimbursed the Consolidated Entity for car parking costs of $13,915. In the comparative period, the reimbursements included office rental and car parking amounting to $377,155. There are no amounts outstanding from Goodman Holdings Group at 30 June 2012.

29 Related parties continued

Transactions with associates and JVEs

GAIF

On 21 June 2012, the Company sold 120 redeemable preference shares in MIC to GAIF for a consideration of $120. The preference shares are redeemable at $1 per share on 23 April 2015 and allow GAIF to have representation on the board of MIC, which aligns both Goodman and GAIF's commercial interest in the Moorabbin Business Park.

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

	Revenue from disposals of assets		Management services and other income		Interest charged on loans to related parties	
	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M
Associates	34.2	75.2	179.5	147.2	2.4	1.7
JVEs	211.9	–	6.2	12.1	3.3	12.8

1. Revenue from disposals of assets includes $203.0 million from the disposal of investment properties to KGIT.

Amounts due from associates and JVEs at 30 June 2012 were as follows:

	Amounts due from related parties[1]		Loans provided by Goodman[2]	
	2012 $M	2011 $M	2012 $M	2011 $M
Associates				
GAIF	21.8	21.0	–	–
GADF	7.0	5.3	–	–
GTA	1.4	2.0	–	–
GMT	3.0	0.9	–	–
GHKLF	2.2	1.8	–	–
GCLHL	–	–	40.1	21.1
GELF	20.5	34.8	29.6	24.3
ABPP	31.0	13.8	–	–
	86.9	**79.6**	**69.7**	**45.4**
JVEs				
Huntingwood East	–	–	14.5	13.0
Bungarribee	–	–	11.8	–
BL Goodman LLP	–	0.1	12.6	11.7
Other JVEs	0.6	1.2	27.1	32.8
	0.6	**1.3**	**66.0**	**57.5**

1. Amounts due from related parties are receivable within 30 days.
2. Loans provided by Goodman to associates and JVEs have generally been provided on an arm's length basis. At 30 June 2012, details in respect of the principal loan balances are set out below:
   + the shareholders in GCLHL have provided interest free loans to GCLHL in proportion to their respective equity interests;
   + a shareholder loan of $29.5 million (2011: $20.7 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of GELF, and incurred interest at 6.9% per annum;
   + shareholder loans to Huntingwood East and Bungarribee incurred interest at 7.4% per annum; and
   + as agreed with the joint venture partner, no interest income was recognised on the loan to BL Goodman LLP.

Transactions with other related parties

During the current financial year, Goodman charged management fees to GEBPF of $3.2 million (2011: $7.0 million) and received distributions of A$3.3 million (2011: $3.3 million). At 30 June 2012, Goodman was owed $3.8 million (2011: $0.9 million) by GEBPF, which is disclosed in amounts due from related parties. Goodman is the fund manager of GEBPF and the carrying value of its investment in GEBPF at the end of the financial year was $13.6 million.

At 30 June 2012, Goodman was owed $nil (2011: $0.9 million) by Scottish Widows, which is disclosed in amounts due from related parties. The Consolidated Entity was in a partnership arrangement with Scottish Widows in the United Kingdom in relation to co-ownership of certain properties.

30 Financial risk management

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

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

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

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

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

Capital management

The Consolidated Entity's principal capital management objectives are to maintain a strong capital base and provide funds for capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt, equity and hybrid instruments.

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

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

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

30 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2012, the principal that is hedged, the weighted average exchange rates and the periods of expiry, by currency, are set out below:

	2012			2011		
CCIRS: AUD receivable: Expiry by currency	**Amounts payable LC'M**	**Amounts receivable A$M**	**Weighted average exchange rate LC/AUD**	**Amounts payable LC'M**	**Amounts receivable A$M**	**Weighted average exchange rate LC/AUD**
NZD payable						
1–2 year(s)	(85.0)	69.7	1.2200	(102.0)	81.0	1.2590
2–5 years	(120.0)	92.2	1.3015	(85.0)	69.7	1.2200
	(205.0)	**161.9**		**(187.0)**	**150.7**	
HKD payable						
2–5 years	(1,450.0)	184.7	7.8870	(2,150.0)	294.8	7.3167
	(1,450.0)	**184.7**		**(2,150.0)**	**294.8**	
JPY payable						
2–5 years	(8,500.0)	97.3	87.3694	–	–	–
Over 5 years	(8,500.0)	100.8	84.3000	(7,000.0)	79.6	87.9200
	(17,000.0)	**198.1**		**(7,000.0)**	**79.6**	
EUR payable						
2–5 years	(50.0)	69.2	0.7226	(50.0)	69.2	0.7226
Over 5 years	(200.0)	263.7	0.7587	(120.0)	179.0	0.6705
	(250.0)	**332.9**		**(170.0)**	**248.2**	

	2012			2011		
CCIRS: USD receivable: Expiry by currency	**Amounts payable CNY'M**	**Amounts receivable USD'M**	**Weighted average exchange rate CNY/USD**	**Amounts payable CNY'M**	**Amounts receivable USD'M**	**Weighted average exchange rate CNY/USD**
CNY payable						
Less than 1 year	(402.6)	60.0	6.7099	–	–	–
1–2 year(s)	–	–	–	(402.6)	60.0	6.7099
	(402.6)	**60.0**		**(402.6)**	**60.0**	

30 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

At 30 June 2012, Goodman's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Goodman has entered into a series of CCIRS, which facilitated repayment of interest bearing liabilities denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

CCIRS: USD receivable: Expiry by currency	2012 Amounts payable LC'M	2012 Amounts receivable USD'M	2012 Weighted average exchange rate LC/USD	2011 Amounts payable LC'M	2011 Amounts receivable USD$M	2011 Weighted average exchange rate LC/USD
EUR receivable						
Over 5 years	(531.2)	735.0	0.7228	(378.1)	535.0	0.7068
	(531.2)	**735.0**		**(378.1)**	**535.0**	
GBP receivable						
Over 5 years	(255.7)	410.0	0.6237	(179.3)	290.0	0.6182
	(255.7)	**410.0**		**(179.3)**	**290.0**	

CCIRS: JPY receivable Expiry by currency	2012 Amounts payable GBP'M	2012 Amounts receivable JPY'M	2012 Weighted average exchange rate GBP/JPY	2011 Amounts payable GBP'M	2011 Amounts receivable JPY'M	2011 Weighted average exchange rate GBP/JPY
GBP receivable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	**11,300.0**		**(85.9)**	**11,300.0**	

Additionally, the Consolidated Entity enters into forward foreign exchange contracts to hedge a proportion of the income received/receivable from its investments denominated in overseas currencies. Based on the Consolidated Entity's existing forward foreign exchange contracts as at 30 June 2012, the principal amounts expiring in future financial years, by currency, and the weighted average exchange rates are set out below:

Forward contract: AUD receivable	2012 Expiry date	2012 Amounts receivable A$M	2012 Weighted average exchange rate LC/AUD	2011 Expiry date	2011 Amounts receivable A$M	2011 Weighted average exchange rate LC/AUD
NZD payable	**by 30 Jun 2013**	**4.2**	**1.1932**	by 30 Jun 2013	8.7	1.1848
HKD payable	**by 30 Jun 2013**	**12.8**	**4.9077**	by 30 Jun 2013	25.4	4.9481

Sensitivity analysis

At 30 June 2012, if the Australian dollar had strengthened by 5% (2011: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Securityholders would have decreased by A$3.3 million (2011: A$6.8 million decrease). If the Australian dollar had weakened by 5% (2011: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Securityholders would have increased by A$3.7 million (2011: A$7.5 million increase).

30 Financial risk management continued

(a) Market risk continued

Interest rate risk

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

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2012, are set out below:

	Interest bearing liabilities $M	Impact of derivatives CCIRS[1] $M	Impact of derivatives IRS $M	Net interest rate exposure $M
30 June 2012				
Fixed rate liabilities	1,837.5	(1,263.2)	1,516.0	2,090.3
Floating rate liabilities	510.0	1,165.5	(1,516.0)	159.5
	2,347.5	**(97.7)**	**–**	**2,249.8**
30 June 2011				
Fixed rate liabilities	1,288.0	(899.1)	1,306.9	1,695.8
Floating rate liabilities	625.8	848.2	(1,306.9)	167.1
	1,913.8	**(50.9)**	**–**	**1,862.9**

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

As a result of the fixed rate interest bearing liabilities and IRS that exist as at 30 June 2012, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

	2012		2011	
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	2,090.3	4.48	1,673.1	5.37
2 years	2,083.3	4.50	1,587.0	5.44
3 years	1,873.0	4.64	1,355.9	5.82
4 years	1,212.0	5.98	1,076.1	6.19
5 years	760.6	7.63	781.9	7.11

Sensitivity analysis

At 30 June 2012, if interest rates on borrowings had been 100 basis points per annum (2011: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Securityholders for the financial year would have been A$0.1 million lower/higher (2011: A$0.2 million).

Price risk

The Consolidated Entity is not exposed to price risk.

30 Financial risk management continued

(b) Liquidity risk

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

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

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

The contractual maturities of financial liabilities are set out below:

	Carrying amount $M	Contractual cash flows $M	Up to 12 months $M	1–2 year(s) $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2012								
Non-derivative financial liabilities								
Payables	277.8	280.9	256.4	9.8	–	–	14.7	–
Bank loans, unsecured[1]	476.6	506.4	43.3	–	150.2	267.9	21.7	23.3
Euro medium-term notes, unsecured	382.9	644.1	72.9	37.3	37.3	37.4	37.3	421.9
United States senior notes, unsecured	1,300.1	2,058.9	98.7	82.2	82.2	82.4	82.2	1,631.2
Foreign private placement, unsecured	187.9	255.6	7.5	6.1	6.1	6.2	6.1	223.6
Total non-derivative financial liabilities	**2,625.3**	**3,745.9**	**478.8**	**135.4**	**275.8**	**393.9**	**162.0**	**2,300.0**
Derivative financial liabilities								
Net settled[2]	108.2	98.5	18.9	30.6	24.1	15.9	7.3	1.7
Gross settled[3]:								
Inflow	–	923.7	106.9	107.1	107.1	105.1	96.3	401.2
Outflow	(192.4)	(728.4)	(60.0)	(61.5)	(62.8)	(86.2)	(98.0)	(359.9)
Total derivative financial liabilities	**(84.2)**	**293.8**	**65.8**	**76.2**	**68.4**	**34.8**	**5.6**	**43.0**

30 Financial risk management continued

(b) Liquidity risk continued

	Carrying amount $M	Contractual cash flows $M	Up to 12 months $M	1–2 year(s) $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2011								
Non-derivative financial liabilities								
Payables	232.4	232.4	213.4	8.1	–	–	–	10.9
Bank loans, unsecured[1]	589.3	616.3	–	104.8	105.2	136.3	270.0	–
United States senior notes, unsecured	375.0	667.6	71.4	36.6	36.6	36.6	36.7	449.7
Euro medium-term notes, unsecured	768.2	1,256.1	59.2	49.7	49.7	49.7	49.8	998.0
Foreign private placement, unsecured	181.3	256.4	7.7	6.2	6.2	6.2	6.3	223.8
Total non-derivative financial liabilities	**2,146.2**	**3,028.8**	**351.7**	**205.4**	**197.7**	**228.8**	**362.8**	**1,682.4**
Derivative financial liabilities								
Net settled[2]	86.2	89.9	31.1	23.9	15.6	8.3	5.9	5.1
Gross settled[3]:								
Inflow	–	730.7	93.3	90.9	94.3	88.8	72.0	291.4
Outflow	(24.4)	(704.3)	(52.2)	(59.0)	(67.2)	(72.8)	(98.4)	(354.7)
Total derivative financial liabilities	**61.8**	**116.3**	**72.2**	**55.8**	**42.7**	**24.3**	**(20.5)**	**(58.2)**

1. Cash flows relating to non-derivative financial liabilities under revolving facilities exclude any estimated interest payments.
2. Net settled includes IRS and forward foreign currency contracts.
3. Gross settled includes CCIRS.

30 Financial risk management continued

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 8).

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

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings. Concentration of credit risk exists from time to time on receivables for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is generally transferred only upon receipt of proceeds for the sale of those assets.

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

The credit risks associated with financial instruments are managed by:

+ transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
+ utilising ISDA agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties.

(d) Fair values of financial instruments

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

Consolidated	Note	Carrying amount 2012 $M	Fair value 2012 $M	Carrying amount 2011 $M	Fair value 2011 $M
Financial assets					
Cash	26(a)	310.8	310.8	227.8	227.8
Receivables:	8				
– Loans and receivables		295.1	295.1	320.7	320.7
– IRS		11.6	11.6	5.9	5.9
– CCIRS		217.1	217.1	61.1	61.1
– Foreign exchange contracts		4.9	4.9	9.7	9.7
– Other derivatives		–	–	15.1	15.1
Other financial assets:	13				
– Investments in unlisted securities		13.6	13.6	25.7	25.7
		853.1	**853.1**	**666.0**	**666.0**
Financial liabilities					
Payables:	16				
– Trade payables and other payables and accruals		277.8	277.8	232.4	232.4
– IRS		124.7	124.7	101.8	101.8
– CCIRS		24.7	24.7	36.7	36.7
Interest bearing liabilities[1]	17	2,347.5	2,488.3	1,913.8	1,994.1
		2,774.7	**2,915.5**	**2,284.7**	**2,365.0**

1. The methods used for determining fair values of financial instruments are discussed in notes 1, 2 and 13. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2012 (refer to note 17).

30 Financial risk management continued

(e) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels 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).

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2012				
Available for sale financial assets	–	–	13.6	13.6
Derivative financial assets	–	233.6	–	233.6
	–	**233.6**	**13.6**	**247.2**
Derivative financial liabilities	–	149.4	–	149.4
	–	**149.4**	**–**	**149.4**
As at 30 June 2011				
Available for sale financial assets	–	–	25.7	25.7
Derivative financial assets	–	91.8	–	91.8
	–	**91.8**	**25.7**	**117.5**
Derivative financial liabilities	–	138.5	–	138.5
	–	**138.5**	**–**	**138.5**

The reconciliation of the carrying amount for Level 3 financial instruments is set out below:

	Available for sale financial assets	
	2012 $M	2011 $M
Carrying amount at the beginning of the year	25.7	27.6
Additions	3.3	3.3
Revaluation loss to other comprehensive income	(13.8)	(3.9)
Effect of foreign currency translation	(1.6)	(1.3)
Carrying amount at the end of the year	**13.6**	**25.7**

In both the current and prior financial year, Level 3 available for sale financial assets related to GEBPF. The fair value was determined by reference to the net asset value of GEBPF, which incorporated the fair values of investment properties.

31 Auditors' remuneration

	Consolidated 2012 $000	Consolidated 2011 $000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	1,154.2	1,078.7
– Audit and review of financial reports (overseas KPMG firms)	829.0	766.7
	1,983.2	**1,845.4**
Other regulatory services		
– Other regulatory services (KPMG Australia)	112.4	64.0
– Other regulatory services (overseas KPMG firms)	–	11.0
Other assurance services		
– Investigative accounting services (KPMG Australia)	495.2	487.6
Taxation services		
– Taxation compliance services (KPMG Australia)	204.3	164.4
– Taxation compliance services (overseas KPMG firms)	124.5	189.1
– Other taxation advice (KPMG Australia)	105.3	8.9
– Other taxation advice (overseas KPMG firms)	138.4	142.2
	1,180.1	**1,067.2**
Total paid/payable to KPMG	**3,163.3**	**2,912.6**
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	**42.1**	**80.2**

32 Parent Entity disclosures

As at, and throughout the financial year ended, 30 June 2012, the parent company of the Consolidated Entity was Goodman Limited.

	2012 $M	2011 $M
Result of the Parent Entity		
Profit/(loss) for the year	11.3	(85.9)
Other comprehensive income	1.4	1.3
Total comprehensive income for the year	**12.7**	**(84.6)**
Financial position of the Parent Entity at year end		
Current assets	547.0	951.6
Total assets	1,090.4	1,022.0
Current liabilities	734.1	957.4
Total liabilities	736.7	958.5
Total equity of the Parent Entity comprising of:		
Issued capital	628.5	374.0
Employee compensation reserve	28.7	4.3
Accumulated losses	(303.5)	(314.8)
Total equity	**353.7**	**63.5**

Parent Entity capital commitments

The Parent Entity has no capital commitments (2011: $nil).

32 Parent Entity disclosures continued

Parent Entity contingencies

Capitalisation Deed Poll

The Company and certain of its wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan or proceeds for the subscription of equity in the borrower by the investor. As at 30 June 2012, the Consolidated Entity had A$506.4 million (2011: A$616.3 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 17), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior note programme

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 17), Goodman Funding Pty Limited, a controlled entity of GIT, issued US$325.0 million, US$500.0 million and US$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

Goodman PLUS Trust hybrid securities guarantee

Goodman Limited and Goodman Funds Management Limited, as responsible entity of GIT, guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS Trust hybrid securities (refer to note 23) under the terms of issue and subscription terms for those securities.

33 Events subsequent to balance date

Internal restructure of Goodman

On 30 March 2012, Securityholders at an Extraordinary General Meeting of the Consolidated Entity authorised the Board to undertake an internal restructure of Goodman by adding a new Hong Kong incorporated company, Goodman Logistics (HK) Limited, to the existing Goodman stapled structure and make amendments to the Goodman constitutions. As at the date of signature of this consolidated financial report, all of the conditions for the restructure of Goodman have been satisfied or waived and it is expected that the restructure will be implemented on 22 August 2012.

Goodman North America Partnership

As at the date of this consolidated financial report, Goodman and the Canada Pension Plan Investment Board (CPPIB) confirmed the launch of a new logistics and industrial partnership called Goodman North America Partnership (GNAP). Goodman and CPPIB have targeted an equity amount of US$890.0 million on a 55/45 basis respectively. Four development sites, which have already been secured by Goodman, are to be offered to GNAP, two in the Inland Empire (Los Angeles area), Oakland (San Francisco Bay area) and Lehigh Valley (Philadelphia), with in excess of 900,000 square metres of gross lettable area and a combined total completion value of more than US$700.0 million (A$700.0 million).

In the opinion of the Directors, there were no other 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

In the opinion of the directors of Goodman Limited:

(a) the consolidated financial statements and the notes set out on pages 51 to 127 and the Remuneration report that is contained on pages 31 to 45 in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2012.

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

Signed in accordance with a resolution of the Directors.

Ian Ferrier, AM
Independent Chairman
Sydney, 10 August 2012

Gregory Goodman
Group Chief Executive Officer

Independent auditor's report

to the members of Goodman Limited

KPMG

Report on the financial report

We have audited the accompanying financial report of the Goodman Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Goodman Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration report included in pages 31 to 45 of the Directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration report of Goodman Limited for the year ended 30 June 2012, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Stuart Marshall
Partner

Sydney, 10 August 2012

Consolidated financial report for Goodman Industrial Trust

and its Controlled Entities the year ended 30 June 2012

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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 2012 and the audit report thereon.

GIT is deemed to be a controlled entity of Goodman Limited (GL). GIT's units are stapled to shares in GL and trade on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

Directors

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

Directors	Appointment date
Mr Ian Ferrier, AM (Independent Chairman)	23 February 2005
Mr Gregory Goodman (Group Chief Executive Officer)	17 January 1995
Mr Philip Fan (Independent Director)	1 December 2011
Mr John Harkness (Independent Director)	1 September 2004
Ms Anne Keating (Independent Director)	6 February 2004
Ms Rebecca McGrath (Independent Director)	3 April 2012
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Jim Sloman, OAM (Independent Director)	1 February 2006
Mr James Hodgkinson (Non-Executive Director)	21 February 2003 (resigned 30 September 2011)

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 135 and 136 in this Directors' report.

Company Secretary

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

Company Secretary	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 136 in this Directors' report.

Directors' meetings

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

	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings		Investment Committee meetings		Ad Hoc Board Committee meetings	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Mr Ian Ferrier	8	8	7	7	4	4	–	–	1	1	1	1
Mr Gregory Goodman	8	8	–	–	–	–	–	–	1	1	1	1
Mr Philip Fan[2]	6	6	–	–	–	–	–	–	–	–	–	–
Mr John Harkness	8	8	7	7	–	–	4	4	–	–	1	1
Ms Anne Keating	8	8	–	–	4	4	4	4	–	–	3	3
Ms Rebecca McGrath[2]	3	2	–	–	–	–	–	–	–	–	–	–
Mr Phillip Pryke	8	8	5	5	4	4	–	–	–	–	4	4
Mr Jim Sloman	8	8	–	–	–	–	4	4	1	1	3	3
Mr James Hodgkinson[3]	1	1	2	2	–	–	–	–	–	–	–	–

1. Reflects the number of meetings individuals were entitled to attend. The Directors make themselves available as required but a number of the above meetings were unscheduled with the result that Directors may not have been able to attend the meeting.
2. Mr Philip Fan and Ms Rebecca McGrath were appointed as Directors during the year.
3. Mr James Hodgkinson resigned as a Director on 30 September 2011.

Directors absented themselves from meetings where they had a personal interest in the matters being discussed.

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.

Distributions

The total distribution declared to ordinary unitholders of GIT (Unitholders) during the year was 18.0 cents per unit (2011 restated: 17.5 cents per unit). Further details of distributions paid or declared during the year are set out in note 4 to the consolidated financial statements.

Review of operations

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

	Consolidated	
	2012 $M	2011 $M
Gross property income	**211.6**	**215.6**
Impairment losses[1]	**(252.9)**	**(13.6)**
Profit attributable to Unitholders	**113.9**	**514.6**

1. During the year, the Consolidated Entity disposed of two controlled entities with a fair value of $239.4 million to GL for a nominal consideration. Under Australian Accounting Standards, the Consolidated Entity is deemed to have made a capital contribution to GL at a value equal to the fair value of the controlled entities. However, as there is no further return on this capital contribution, the investment has been impaired to $nil at 30 June 2012.

Value of assets

	Consolidated	
	30 Jun 2012 $M	30 Jun 2011 $M
Carrying value of assets	**7,985.9**	**7,700.6**

The basis for valuation of assets is disclosed in notes 1 and 2 to the consolidated financial statements.

Issued capital

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

	Consolidated	
	2012 M	2011 Restated[1] M
Units on issue at the beginning of the year	1,478.9	1,274.0
Units issued	126.2	204.9
Units on issue at the end of the year	**1,605.1**	**1,478.9**

1. The comparative figures have been restated to adjust for the consolidation of every five units into one unit during the year.

State of affairs

Key changes in the Consolidated Entity's state of affairs during and subsequent to the financial year were as follows:

(a) Stapled security consolidation

On 12 April 2012, following Securityholder approval at an Extraordinary General Meeting held by Goodman Group on 30 March 2012, Goodman Group completed the consolidation of every five stapled securities into one stapled security.

(b) Conversion of preference securities issued to China Investment Corporation

On 23 December 2011, China Investment Corporation (CIC) converted $150.0 million preference securities to 68,181,818 (restated) ordinary Goodman Group stapled securities at a price of $2.20 (restated) per stapled security.

On 25 June 2012, CIC converted $125.0 million preference securities to 55,555,555 ordinary Goodman Group stapled securities at a price of $2.25 (restated) per stapled security.

(c) Capital management initiatives

During the year, Goodman Group continued to focus on capital management initiatives at both a Consolidated Entity and a managed fund level. In particular:

+ following Moody's upgrade to Goodman Group's senior unsecured rating to Baa2, the Consolidated Entity completed a further issue of US$500.0 million of senior unsecured notes in the United States 144A/Reg S bond market;
+ Goodman European Logistics Fund completed a €351.0 million rights issue and secured a new €800.0 million debt package;
+ Goodman Australia Industrial Fund completed a US$300.0 million United States unsecured note issue to institutional investors with 10 and 12 year maturities;
+ Goodman China Logistics Holding Limited increased its equity commitment to US$500.0 million and secured a new US$100.0 million five year facility; and
+ Arlington Business Parks Partnership (ABPP) completed a five year extension and entered into a new five year £350.0m banking facility. In facilitating the extension of ABPP, one of the investors sought £48.0m of liquidity which has been provided by Goodman Group and another investor and as a consequence Goodman Group's unitholding in ABPP increased to 43.0%.

(d) Restructure of Goodman Group

On 30 March 2012, Securityholders at an Extraordinary General Meeting of Goodman Group authorised the Board of GL to undertake an internal restructure of Goodman Group by adding a new Hong Kong incorporated company, Goodman Logistics (HK) Limited, to the existing Goodman Group stapled structure and make amendments to the Constitutions of GIT and GL. The proposed restructure using a Hong Kong domiciled company reflects Goodman Group's evolution of the business, resulting in more active (management) income relative to passive (rental) income in its offshore markets. It is also expected that this will improve access to the global debt and equity capital markets.

As at the date of signature of this Directors' report, all of the conditions for the restructure of Goodman Group have been satisfied or waived and it is expected that the restructure will be completed by September 2012.

(e) Employees Provident Fund

On 13 June 2012, Goodman Group and Malaysia's Employees Provident Fund established a fund in Australia, KWASA Goodman Industrial Trust, with an initial portfolio of approximately A$400.0 million comprising six stabilised logistics property assets. The Consolidated Entity holds a 40% interest in the fund and Goodman Group will provide management services to the portfolio on terms generally consistent with arrangements across its existing fund management platform

(f) Capital contribution to Goodman Limited

On 22 December 2011, the Consolidated Entity transferred two wholly-owned controlled entities to GL for a nominal consideration. The fair value and book value of the entities at the date of transfer was $239.4 million.

(g) Goodman North America Partnership

As at the date of signature of this Directors' report, the Consolidated Entity and the Canada Pension Plan Investment Board (CPPIB) confirmed the launch of a new logistics and industrial partnership called Goodman North America Partnership (GNAP). The Consolidated Entity and CPPIB have targeted an equity amount of US$890.0 million on a 55/45 basis respectively. Four development sites, which have already been secured by Goodman Group, are to be offered to GNAP, two in the Inland Empire (Los Angeles area), Oakland (San Francisco Bay area) and Lehigh Valley (Philadelphia), with in excess of 900,000 square metres of gross lettable area and a combined total completion value of more than US$700.0 million (A$700.0 million).

Strategy and outlook

GIT's units are stapled to GL's shares and are quoted as a single security on the ASX. Both the Responsible Entity and the directors of GL must at all times act in the best interest of the stapled entity, Goodman Group.

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

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

Goodman Group seeks to create value through expansion, both organically and through strategic acquisitions, while enhancing returns through the active management of its property portfolio. The cornerstone of this strategy is a substantial portfolio (including both directly-owned property and cornerstone investments in funds managed by Goodman Group) of quality industrial and business space assets, coupled with Goodman Group's integrated property platform. Goodman Group looks to enhance its return on property investments with property and fund management income and development profits.

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

Goodman Group believes that its ability to recycle capital in this way, coupled with Goodman Group's ability to utilise third party capital invested in funds managed by Goodman Group, enables it to grow development and investment activity and earnings outside of Goodman Group's traditional Australian markets. Through cornerstone investments in funds it manages, Goodman Group intends to align its interests with those of the funds' investors and believes that it is able to foster long-term relationships with the funds' investors. By attracting a group of key global investors, Goodman Group aims to secure sources of funding for funds it manages and for its joint ventures, allowing for the expansion of Goodman Group's business without needing to fund such expansion entirely with its balance sheet.

The growing contribution from the active components of Goodman Group's business, being its development and management activities, coupled with the strength of its Asian and European businesses and its entry into new markets will ensure Goodman Group is well positioned to achieve solid earnings growth in the year ending 30 June 2013.

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

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 has insured current and former directors and officers of the Consolidated Entity in respect of directors' and officers' liability and legal expenses. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of those contracts. The auditors of the Consolidated Entity are not indemnified in any way by this insurance cover.

Fees paid to and interests held by related entities and Directors

Fees were paid or are payable to Goodman Group and its associated entities for services provided during the year. Details of these fees and the interests of the Responsible Entity and other related party information are set out in note 22 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	Direct securities	Indirect securities	Total
Non-Executive			
Mr Ian Ferrier	102,577	–	102,577
Mr Philip Fan	2,954	–	2,954
Mr John Harkness	69,841	–	69,841
Mr James Hodgkinson[1]	66,746	184,114	250,860
Ms Anne Keating	–	60,974	60,974
Ms Rebecca McGrath	–	–	–
Mr Phillip Pryke	–	108,232	108,232
Mr Jim Sloman	61,394	–	61,394
Executive			
Mr Gregory Goodman	–	45,076,923	45,076,923

1. As at the date of his resignation as a Director.

At 30 June 2012, none of the Non-Executive Directors held any options over unissued securities. At 30 June 2012, Mr Gregory Goodman held 2,490,770 performance rights over Goodman Group stapled securities (2011 restated: 1,940,000 options and 1,510,770 performance rights). All the options previously issued to Mr Gregory Goodman lapsed during the year as the return on equity performance hurdles applicable to the options had not been met.

At the date of his resignation, James Hodgkinson held 2,660 (2011: 2,660) of the hybrid securities issued by Goodman PLUS Trust, which are listed on the ASX. None of the other Directors holds any interests in the hybrid securities issued by Goodman PLUS Trust.

Qualifications, experience and special responsibilities of Directors and Company Secretary

Board of Directors

Mr Ian Ferrier, AM – Independent Chairman
Appointed 23 February 2005

Ian was appointed Chairman on 28 July 2009 (having been Acting Chairman from 28 November 2008). Ian is a Fellow of The Institute of Chartered Accountants in Australia and has 47 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 InvoCare Limited (since March 2001) and Australian Vintage Ltd (a director since November 1991) and a director of EnergyOne Limited (since January 2007) and Reckon Limited (since August 2004). His experience is essentially concerned with understanding the financial and other issues confronting companies which require turnaround management, analysing those issues and implementing policies and strategies which lead to a successful rehabilitation. 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

Gregory is responsible for Goodman Group's overall operations and the implementation of its strategic plan. He has 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), the Tokyo Stock Exchange listed Goodman Japan Limited, and the management companies of Goodman Group's unlisted funds and many of its subsidiaries.

Mr Philip Fan – Independent Director
Appointed 1 December 2011

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

Philip holds a Bachelors Degree in Industrial Engineering and a Masters Degree in Operations Research from Stanford University, as well as a Masters Degree in Management Science from Massachusetts Institute of Technology.

Mr John Harkness – Independent Director
Appointed 1 September 2004

John is a Fellow of The Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since leaving KPMG in June 2000, John has held a number of non-executive director roles. He is currently the 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) and a director of Sinclair Knight Merz Management Pty Limited (since 2010). He was formerly a director of Crane Group Limited (from September 2000 to December 2010). John is Vice President of Northern Suburbs Rugby Football Club Limited, a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army and the Chairman of the Sydney Foundation for Medical Research.

Mr James Hodgkinson – Non-Executive Director
Appointed 21 February 2003
Resigned 30 September 2011

James is a Senior Investment Banker with real estate specialisation, most recently, as an Executive Director of Macquarie Group. James has extensive experience as Principal in the establishment, strategy and growth of a number of both listed and unlisted investment vehicles and operating businesses in Australia, Asia and North America. James was also Chief Executive Officer of Macquarie Industrial Trust for six years prior to that trust's merger with GIT. He is a director of Goodman Japan Limited and was until July 2012 a director of Goodman (NZ) Limited, the manager of the New Zealand Exchange listed Goodman Property Trust.

James is an alumni director of the Macquarie Foundation and is active in the 'not for profit' sector. He has initiated and assisted in the fund raising initiatives and strategic support of a number of community based organisations, including as a Founding Governor of the Cerebral Palsy Foundation and as Founder and Chairman of the Cerebral Palsy Alliance of NSW's 20/Twenty Challenge.

James has a Bachelor of Economics Degree, is a Certified Practising Accountant and is a Fellow of the Australian Property Institute.

Ms Anne Keating – Independent Director
Appointed 6 February 2004

Anne is a non-executive director with board positions in a range of industries. She is a director of the management companies of the Ardent Leisure Group (since March 1998), REVA Medical, Inc. (since October 2010), ClearView Wealth Limited (since November 2010) and GI Dynamics, Inc. (since June 2011). Anne was formerly a director of STW Communications Group Limited (from May 1995 to February 2011) as well as Spencer Street Station Redevelopment Holdings Limited and Insurance Australia Group Limited.

Anne is also a director of the Garvan Institute of Medical Research, a member of the Advisory Council of RBS Group (Australia) Pty Ltd and 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
Appointed 3 April 2012

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

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

Mr Phillip Pryke – Independent Director
Appointed 13 October 2010

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

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

Mr Jim Sloman, OAM – Independent Director
Appointed 1 February 2006

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 and 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 is a Principal of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team, that is working as an adviser to both the London 2012 and the Rio de Janeiro 2016 Olympic Games. 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. Jim was a director of Prime Infrastructure Holdings Limited (from February 2010 to December 2010) and Prime Infrastructure RE Limited (from February 2010 to December 2010) (the management company of Prime Infrastructure Trust). 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 the Company and its Australian subsidiaries, as well as Legal Counsel – Head of Corporate in Australia. He has over 14 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 and options over Goodman Group stapled securities

Details of the performance rights and options over Goodman Group stapled securities held by Mr Gregory Goodman are set out below. None of the other Directors held any rights or options over Goodman Group stapled securities. No rights or options have been granted since the end of the financial year.

(a) Performance rights

	Number of performance rights granted[1]	Grant date	Fair value per performance right[1,2] $	Exercise price per right	Expiry date	% of performance rights vested
Executive Director						
Mr Gregory Goodman	980,000	25 Nov 11	2.12	–	n/a	–
	730,770	1 Feb 2011	2.80	–	n/a	–
	780,000	14 May 10	3.00	–	n/a	–

1. The number of performance rights granted and the fair value per performance right have been adjusted for the consolidation of every five stapled securities into one Goodman Group stapled security during the year.
2. Fair value determined at the grant date.

(b) Options

	Number of options granted[1]	Grant date	Fair value per option[1,2] $	Exercise price per option[1]	Expiry date	% of options vested[3]
Executive Director						
Mr Gregory Goodman	1,400,000	17 Nov 08	0.20	15.05	30 Jun 2013	100
	540,000	26 Nov 07	3.85	31.35	30 Jun 2013	100

1. The number options granted, fair value and exercise price per option have been adjusted for the consolidation of every five stapled securities into one Goodman Group stapled security during the year.
2. Fair value determined at the grant date.
3. The % forfeited represents the reduction during the financial year from the maximum number of options available to vest due to the return on equity performance hurdles not being achieved.

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) and options awarded under the Employee Option Plan (EOP).

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

(a) Performance rights

Date granted	Expiry date	Exercise price $	Number of performance rights[1]	Performance hurdles[2]
25 Nov 11	1 Sep 16	–	980,000	TSR[3] (25%) and EPS[4] (75%)
30 Sep 11	1 Sep 16	–	10,111,344	TSR[3] (25%) and EPS[4] (75%)
1 Feb 11	1 Sep 15	–	8,313,350	TSR[3] (25%) and EPS[4] (75%)
14 May 10	1 Sep 14	–	8,681,005	TSR[3] (50%) and EPS[4] (50%)

1. The number performance rights granted have been adjusted for the consolidation of every five stapled securities into one Goodman Group stapled security during the year. The number of performance rights at the date of the Directors' report is net of any rights forfeited.
2. Performance hurdles are based on the results of Goodman Group.
3. The TSR vesting condition is determined by Goodman Group's relative TSR over a three year period since the end of the previously reported 12 months period immediately preceding the date of the grant as determined by the Board of Goodman Group. Goodman Group's TSR performance will be measured against the TSR performance of the entities comprising the ASX 200 index.
4. The EPS vesting condition is determined by Goodman Group's aggregated operating EPS over a three year period since the end of the previously reported 12 month period immediately preceding the date of the grant, compared to the target EPS and stretch target EPS as determined by the Board of Goodman Group.

(b) Options

During the year, all the options awarded under the EOP, amounting to 26,162,700 options (restated), lapsed as the performance hurdles applicable to the options had not been achieved.

At the date of signature of this Directors' report, there were no unissued securities under option issued to employees.

Events subsequent to balance date

In the opinion of the Directors, other than the update on the internal restructure of Goodman Group and the announcement regarding the new logistics and industrial partnership with CPPIB, referred to in the State of affairs section of the Directors' report on page 133, there were no other events subsequent to balance date, and up to the date of signature of this Directors' report, that would require adjustment or disclosure in the consolidated financial report.

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

The lead auditor's independence declaration is set out on page 139 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, 10 August 2012

Gregory Goodman
Group Chief Executive Officer

Lead auditor's independence declaration

KPMG

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 2012, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stuart Marshall
Partner
Sydney, 10 August 2012

Consolidated statement of financial position

as at 30 June 2012

	Note	Consolidated 2012 $M	Consolidated 2011 $M
Current assets			
Cash	21(a)	261.0	92.6
Receivables	5	2,050.7	2,095.3
Inventories	6	9.3	19.3
Other assets	7	112.9	7.5
Total current assets		**2,433.9**	**2,214.7**
Non-current assets			
Receivables	5	354.3	255.1
Inventories	6	181.5	180.1
Investment properties	8	2,355.7	2,662.0
Investments accounted for using the equity method	9	2,660.5	2,388.7
Total non-current assets		**5,552.0**	**5,485.9**
Total assets		**7,985.9**	**7,700.6**
Current liabilities			
Deferred income		7.0	13.7
Payables	11	196.3	169.5
Interest bearing liabilities	13	42.5	–
Provisions	12	145.1	163.8
Total current liabilities		**390.9**	**347.0**
Non-current liabilities			
Payables	11	163.5	178.6
Interest bearing liabilities	13	2,304.7	1,914.5
Provisions	12	1.7	2.3
Total non-current liabilities		**2,469.9**	**2,095.4**
Total liabilities		**2,860.8**	**2,442.4**
Net assets		**5,125.1**	**5,258.2**
Equity			
Issued capital	14	7,173.1	6,904.1
Reserves	15	(2,030.8)	(2,095.4)
Accumulated losses	16	(336.0)	(97.5)
Total equity attributable to Unitholders		**4,806.3**	**4,711.2**
Non-controlling interests	17	318.8	547.0
Total equity		**5,125.1**	**5,258.2**

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

Consolidated income statement

for the year ended 30 June 2012

		Consolidated	
	Note	2012 $M	2011 $M
Revenue and other income			
Gross property income		211.6	215.6
Income from disposal of inventories		5.3	14.5
Distributions from investments		15.9	20.3
Net gain/(loss) from fair value adjustments on investment properties	8	12.0	(20.6)
Net gain/(loss) on disposal of investment properties	3	14.0	(0.6)
Net gain on disposal of controlled entities	3	45.1	18.1
Net gain on disposal of equity investments	3	27.4	101.3
Share of net results of equity accounted investments	3	155.1	162.2
Other income		4.6	4.3
		491.0	**515.1**
Property and other expenses			
Property expenses		(55.1)	(56.4)
Inventory cost of sales		(4.4)	(11.6)
Trust expenses		(4.6)	(2.4)
Management fee	3	(158.9)	(7.5)
Impairment losses	3	(252.9)	(13.6)
Other expenses		(4.1)	(3.8)
		(480.0)	(95.3)
Profit before interest and tax		**11.0**	**419.8**
Net finance income			
Finance income	3	284.0	246.8
Finance expenses	3	(138.0)	(87.7)
Net finance income		**146.0**	**159.1**
Profit before income tax		**157.0**	**578.9**
Income tax expense		(0.9)	(3.3)
Profit for the year		**156.1**	**575.6**
Profit attributable to Unitholders		113.9	514.6
Profit attributable to non-controlling interests		42.2	61.0
Profit for the year		**156.1**	**575.6**

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

Consolidated statement of comprehensive income

for the year ended 30 June 2012

		Consolidated	
	Note	2012 $M	2011 $M
Profit for the year		**156.1**	**575.6**
Other comprehensive income			
(Decrease)/increase due to revaluation of other financial assets	15	(1.9)	14.3
Fair value gains on other financial assets transferred to the income statement on disposal	15	–	(47.2)
Cash flow hedges:			
– Change in value of financial instruments	15	5.4	36.1
– Transfers to the income statement from cash flow hedge reserve	15	29.0	37.3
Transfers to the income statement from foreign currency translation reserve	15	8.1	–
Effect of foreign currency translation on reserves	15	(24.0)	(218.2)
Other comprehensive income for the year		**16.6**	**(177.7)**
Total comprehensive income for the year		**172.7**	**397.9**
Total comprehensive income attributable to:			
Unitholders		130.5	336.9
Non-controlling interests		42.2	61.0
Total comprehensive income for the year		**172.7**	**397.9**

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 2012

Year ended 30 June 2011
Consolidated

	Note	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 2010		6,442.9	(1,983.1)	(295.4)	4,164.4	750.5	4,914.9
Total comprehensive income for the year							
Profit for the year	16	–	–	514.6	**514.6**	61.0	**575.6**
Other comprehensive income for the year		–	(177.7)	–	**(177.7)**	–	**(177.7)**
Total comprehensive income for the year		**–**	**(177.7)**	**514.6**	**336.9**	**61.0**	**397.9**
Transfers		–	65.4	(65.4)	**–**	–	**–**
Contributions by and distributions to owners							
Issue of ordinary units on acquisition of Moorabbin Airport and Business Park		162.0	–	–	**162.0**	–	**162.0**
Issue costs due to ordinary units		(0.2)	–	–	**(0.2)**	–	**(0.2)**
Conversion of convertible preference securities issued to China Investment Corporation (CIC)		221.6	–	–	**221.6**	(203.5)	**18.1**
Issue of ordinary units on exercise of options by CIC		77.8	–	–	**77.8**	–	**77.8**
Distributions declared on ordinary units	4	–	–	(251.3)	**(251.3)**	–	**(251.3)**
Distributions declared on Goodman PLUS Trust hybrid securities	4	–	–	–	**–**	(22.2)	**(22.2)**
Distributions declared on CIC convertible preference securities	4	–	–	–	**–**	(38.8)	**(38.8)**
Balance at 30 June 2011		**6,904.1**	**(2,095.4)**	**(97.5)**	**4,711.2**	**547.0**	**5,258.2**

Year ended 30 June 2012
Consolidated

	Note	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 2011		**6,904.1**	**(2,095.4)**	**(97.5)**	**4,711.2**	**547.0**	**5,258.2**
Total comprehensive income for the year							
Profit for the year	16	–	–	113.9	**113.9**	42.2	**156.1**
Other comprehensive income for the year		–	16.6	–	**16.6**	–	**16.6**
Total comprehensive income for the year		**–**	**16.6**	**113.9**	**130.5**	**42.2**	**172.7**
Transfers		–	48.0	(48.0)	**–**	–	**–**
Contributions by and distributions to owners							
Issue of ordinary units under the Securities Purchase Plan		7.2	–	–	**7.2**	–	**7.2**
Conversion of convertible preference securities issued to CIC		261.8	–	(20.7)	**241.1**	(228.2)	**12.9**
Distributions declared on ordinary units	4	–	–	(283.7)	**(283.7)**	–	**(283.7)**
Distributions declared on Goodman PLUS Trust hybrid securities	4	–	–	–	**–**	(21.5)	**(21.5)**
Distributions declared on CIC convertible preference securities	4	–	–	–	**–**	(20.7)	**(20.7)**
Balance at 30 June 2012		**7,173.1**	**(2,030.8)**	**(336.0)**	**4,806.3**	**318.8**	**5,125.1**

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 2012

	Note	Consolidated 2012 $M	Consolidated 2011 Restated[1] $M
Cash flows from operating activities			
Property income received		215.8	221.4
Proceeds from disposal of inventories		5.3	14.2
Receipts from development activities		206.0	74.4
Other cash receipts from services provided		2.0	14.4
Property expenses paid		(55.2)	(51.6)
Payments for development activities		(89.1)	(92.4)
Payments for inventories		(116.0)	(21.6)
Other cash payments in the course of operations		(7.8)	(5.3)
Dividends/distributions received		116.9	121.2
Interest received		43.0	34.3
Finance costs paid		(128.2)	(114.6)
Net income taxes paid		(0.5)	(3.1)
Net cash provided by operating activities	21(b)	**192.2**	**191.3**
Cash flows from investing activities			
Proceeds from sale of investment properties		203.8	9.6
Proceeds from sale of controlled entities, net of cash disposed	19	–	4.5
Proceeds from sale of equity investments		145.2	200.7
Payments for equity investments		(302.2)	(423.0)
Payments for investment properties and developments		(132.8)	(126.5)
Net cash used in investing activities		**(86.0)**	**(334.7)**
Cash flows from financing activities			
Proceeds from issue of ordinary units		7.2	78.5
Transaction costs from issue of securities		(0.1)	(0.2)
Proceeds from borrowings		2,708.7	2,010.5
Repayments of borrowings		(2,331.2)	(2,117.6)
Loans from related parties		6.9	75.4
Distributions paid	4	(329.3)	(285.4)
Net cash provided/(used in) by financing activities		**62.2**	**(238.8)**
Net increase/(decrease) in cash held		168.4	(382.2)
Cash at the beginning of the year		92.6	474.8
Cash at the end of the year	**21(a)**	**261.0**	**92.6**

1. Proceeds from the disposal of special purpose development entities in Continental Europe have been included in cash receipts from development activities. In prior periods, such proceeds amounting to $39.4 million were included in cash flows from investing activities.

Non-cash financing and investing activities are included in note 21(c).

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

1 Statement of significant accounting policies

Goodman Industrial Trust (GIT, Trust or Parent Entity) was established in Australia. The consolidated financial report of GIT for the year ended 30 June 2012 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and joint venture entities.

The stapling of GIT and Goodman Limited (GL) was approved at separate meetings of the respective Unitholders and Shareholders on 25 January 2005. Following approval of the stapling, units in GIT and shares in GL were stapled to one another and are quoted as a single security on the Australian Securities Exchange. Both Goodman Funds Management Limited (Responsible Entity), the responsible entity for the Trust, and GL must at all times act in the best interest of the stapled entity.

Statement of compliance

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

The consolidated financial report is presented in Australian dollars and was authorised for issue by the directors (Directors) of Goodman Funds Management Limited on 10 August 2012.

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

(a) Basis of preparation of the consolidated financial report

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

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

(b) Principles of consolidation

Business combinations

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

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

Measuring goodwill

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

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

Contingent liabilities

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

Non-controlling interest

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

Transaction costs

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

Accounting for acquisitions of non-controlling interests

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

Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Parent Entity as at 30 June 2012 and the results of all such entities for the year ended 30 June 2012. Control exists when the Parent Entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

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.

1 Statement of significant accounting policies continued

Associates

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

Joint venture entities (JVEs)

A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

In the consolidated financial statements, investments JVEs are accounted for using the equity method. Investments in JVEs are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the JVEs net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

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

Unrealised gains resulting from transactions with associates and JVEs, 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 JVEs are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence an impairment of recoverable amounts.

(c) Revenue recognition

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.

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.

Income from dividends and distributions

Dividend and distribution income is recognised net of any franking credits and before deduction of any withholding tax.

Dividend and distribution income is recognised when a dividend/distribution is declared and, if not received at balance date, is reflected in the statement of financial position as a receivable.

(d) 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 Australian currency at the 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 the income statement.

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 sheet date.

Revenue and expenses are translated at weighted average rates for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations. Fair value adjustments arising on the acquisition of foreign entities are treated as assets of the foreign entities and translated at the closing rate.

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

1 Statement of significant accounting policies continued

(d) Foreign currency translation continued

Exchange rates used

The main exchange rates used in translating foreign currency transactions, balances and financial statements are as follows:

	Weighted average		As at 30 June	
Australian dollar (AUD) to	**2012**	**2011**	**2012**	**2011**
New Zealand dollar (NZD)	1.2832	1.3048	1.2771	1.2953
Hong Kong dollar (HKD)	8.0227	7.6968	7.8899	8.3336
Chinese yuan (CNY)	6.5572	6.5548	6.4651	6.9228
United States dollar (USD)	1.0317	0.9892	1.0191	1.0739
Japanese yen (JPY)	81.1330	82.0961	80.8900	86.3300
Euro (EUR)	0.7709	0.7249	0.8092	0.7405
British pounds sterling (GBP)	0.6513	0.6214	0.6529	0.6667

Hedges of net investments in foreign operations

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

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

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

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

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

Stabilised investment properties

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

At each balance date occurring between obtaining independent valuations, the Directors review the carrying value of the Consolidated Entity's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties reflects the fair value of the investment properties at that date.

Changes in fair value are recognised directly in the income statement. The net of unrealised revaluations from investment properties is transferred to the asset revaluation reserve from 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.

1 Statement of significant accounting policies continued

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. On disposal, the balance of previously unrealised gains for the individual properties included in the asset revaluation reserve is transferred to the capital profits reserve.

(f) Inventories

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

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

(g) Financial instruments

Non-derivative financial assets

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

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

Available for sale financial assets

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

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

Non-derivative financial liabilities

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

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

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

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

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

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

1 Statement of significant accounting policies continued

Issued capital

Ordinary units

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

Hybrid securities

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

Derivative financial instruments and hedging

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange 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 trading purposes.

Effective 1 July 2009, the Consolidated Entity amended its financial risk management policy (refer to note 23) such that derivative financial instruments are not designated as a hedge for accounting purposes, and accordingly such derivative financial instruments are treated as trading instruments, with movements in their fair value recognised in the income statement.

In prior years, the Consolidated Entity designated derivative financial instruments as a hedge of an anticipated interest transaction only when they would be expected to reduce exposure to the risks being hedged were designated prospectively so that it was clear when an anticipated transaction had or had not occurred; and it was probable the anticipated transaction would occur as designated.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that were previously designated and qualified as cash flow hedges were recognised in the cash flow hedge reserve. The gain or loss relating to any ineffective portion was recognised in the income statement.

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

(h) Finance costs

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

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

(i) Impairment

Non-financial assets

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

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

Financial assets

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

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

1 Statement of significant accounting policies continued

Calculation of recoverable amount

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

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

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

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

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

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

(j) Assets and liabilities classified as held for sale

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

(k) Provisions

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

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

Distributions payable

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

Rental guarantees

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

(l) Taxation

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.

1 Statement of significant accounting policies continued

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST (or value added tax in certain jurisdictions), except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

(n) 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, provision for distributions to Securityholders, provisions for distributions on hybrid securities, corporate assets, head office expenses and income tax assets and liabilities.

(o) Parent Entity financial information

The financial information for the Parent Entity, Goodman Industrial Trust, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in controlled entities

Investments in controlled entities are carried at fair value which is determined with reference to the net assets of the controlled entities. Revaluation increments are credited directly to an asset revaluation reserve. Revaluation decrements are taken directly to the asset revaluation reserve to the extent that such decrements are reversing amounts previously credited to that reserve that are still available in that reserve. Revaluation decrements in excess of amounts available in the reserve are recognised as impairment losses and charged to the income statement. Subsequent revaluation increments are credited to an asset revaluation reserve.

Investments in associates and JVEs

Investments in associates and JVEs are accounted for at cost in the financial statements of Goodman Industrial Trust. Dividends /distributions received from associates and JVEs are recognised in the Parent Entity's income statement, rather than being deducted from the carrying amount of these investments.

Financial guarantees

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

1 Statement of significant accounting policies continued

(p) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following new Australian Accounting Standards which are expected to have significant effect on the Consolidated Entity's financial statements were available for early adoption at 30 June 2012 but have not been applied in preparing these financial statements:

+ AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets and replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Consolidated Entity's 30 June 2016 financial statements. Retrospective application is generally required. The Consolidated Entity has not yet determined the potential effect of the standard;
+ AASB 10 Consolidated Financial Statements introduces a new approach to determining which investees should be consolidated. AASB 10 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements and retrospective application is required. Based on the application guidance issued to date, the Consolidated Entity has made an assessment of the impact of the new accounting standard on its principal equity accounted investments and does not consider that the application of AASB 10 will result in any material change to those investees that are consolidated. This conclusion arises because for the majority of funds managed by Goodman Group, the power to direct the activities that significantly affect the returns of the managed funds lies with either an investor committee, comprised of a majority of non-Goodman Group investor representatives, or an independent board;
+ AASB 11 Joint Arrangements includes new requirements for the classification and disclosures of joint ventures and replaces AASB 131 Interests in Joint Ventures. The AASB has also issued AASB 128 Investments in Associates and Joint Ventures (2011), which supersedes AASB 128 Investments in Associates (2008). These accounting standards will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. The Consolidated Entity has not yet determined the potential effect of the standards;
+ AASB 12 Disclosure of Interests in Other Entities sets out the required disclosures for interest in entities that are subsidiaries, associates and joint ventures. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Consolidated Entity's investments. AASB 12 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements; and
+ AASB 13 Fair Value Measurement defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. AASB 13 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. The Consolidated Entity has not yet determined the potential effect of the standard.

(q) Rounding

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

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

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The accounting impacts of revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Investment property values

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 knowledgably, 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 Goodman Group's balance sheet and properties within funds managed by Goodman Group.

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

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

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

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

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

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

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

(a) Investment property values continued

Market assessment

At 30 June 2012 all markets in which Goodman Group 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 weighted average cap rates for those properties valued externally at 30 June 2012 and the overall weighted average cap rates for the portfolio (including managed funds) are set out in the table below:

	Weighted average cap rate for external valuations[1]		Total portfolio weighted average cap rate	
Division	30 Jun 2012 %	30 Jun 2011 %	30 Jun 2012 %	30 Jun 2011 %
Australia	8.2	8.1	8.1	8.2
New Zealand	n/a[2]	8.6	8.5	8.6
Hong Kong	6.1	6.1	6.2	6.1
China	n/a[2]	n/a[2]	8.9	8.7
Logistics – Continental Europe	7.9	7.7	7.8	7.7
Logistics – United Kingdom	8.5	8.3	8.1	8.2
Business Parks – United Kingdom	8.2	7.6	8.2	7.6

1. This represents the weighted average capitalisation rate for external valuations in the three months prior to the balance date.
2. No external valuations were performed in the three months prior to the balance date.

At 30 June 2012, the carrying value of stabilised investment properties held by the Consolidated Entity was $1,999.1 million (2011: $2,349.7 million).

Investment properties under development

External valuations are generally not performed for investment properties under development, but instead valuations are determined using the Consolidated Entity's feasibility studies supporting the properties under development. The end values of the developments in the feasibility studies are based on assumptions to determine capitalisation rates, letting up periods and incentives that are consistent with those observed in the relevant market adjusted for a profit and risk factor. This profit and risk factor is dependent on the function, location and size of the development and is generally in a market range of 10.0% to 17.5%.

At 30 June 2012, the carrying value of investment properties under development held by the Consolidated Entity was $356.6 million (2011: $312.3 million).

(b) Inventories

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

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

At 30 June 2012, the carrying value of inventories held by the Consolidated Entity was $190.8 million (2011: $199.4 million).

3 Profit before income tax

	Consolidated 2012 $M	2011 $M
Net consideration from disposal of investment properties	203.8	3.2
Carrying value of investment properties sold – refer to note 8	(189.8)	(3.8)
Net gain/(loss) on disposal of investment properties	**14.0**	**(0.6)**
Net consideration received and receivable from disposal of controlled entities[1]	239.4	4.5
Carrying value of net assets disposed	(239.4)	(1.2)
Net gain on disposal of special purpose development entities in Continental Europe	45.1	14.8
Net gain on disposal of controlled entities	**45.1**	**18.1**
Net consideration from disposal of equity investments	102.4	306.1
Carrying value of equity investments disposed	(73.1)	(201.0)
Loss on dilution of investment in associate – refer to note 9(a)	(1.9)	(3.8)
Net gain on disposal of equity investments	**27.4**	**101.3**
Share of net results of investments in associates[2] – refer to note 9(a)	151.5	156.1
Share of net results of investments in joint venture entities – refer to note 9(b)	3.6	6.1
Share of net results of equity accounted investments	**155.1**	**162.2**
Management fee[3]	**(158.9)**	**(7.5)**
Impairment of receivables	(9.6)	(6.1)
Impairment of capital contribution in GL[1]	(239.4)	–
Impairment of inventories	(3.9)	(6.0)
Impairment of equity accounted investments	–	(1.5)
Impairment losses	**(252.9)**	**(13.6)**
Finance income		
Interest income from:		
– Related parties	140.3	184.5
– Other parties	4.5	7.8
Fair value adjustments on derivative financial instruments[4]	139.2	54.1
Foreign exchange gain	–	0.4
	284.0	**246.8**
Finance costs		
Interest expense on third party loans, overdrafts and derivatives	(94.6)	(102.0)
Debt restructuring costs	–	(0.3)
Other borrowing costs	(13.6)	(11.2)
Foreign exchange loss[5]	(64.6)	–
Capitalised borrowing costs	34.8	25.8
	(138.0)	**(87.7)**
Net finance income	**146.0**	**159.1**

1. During the year, the Consolidated Entity disposed of two controlled entities with a fair value of $239.4 million to GL for a nominal consideration. Under Australian Accounting Standards, the Consolidated Entity is deemed to have made a capital contribution to GL at a value equal to the fair value of the controlled entities. However, as there is no further return on this capital contribution, the investment has been impaired to $nil at 30 June 2012.
2. Includes a gain of $14.1 million arising from the acquisition of units in Arlington Business Parks Partnership (ABPP) at a discount to fair value.
3. The Responsible Entity is entitled to receive management fees from the Consolidated Entity. The increase in management fees in the current financial year is a direct result of an increase in fund management costs incurred by the Responsible Entity. The Responsibly Entity was charged $150.0 million by Goodman Property Services (Aust) Pty Limited (GPSA), a controlled entity of GL, for certain one-off employee costs incurred by GPSA (2011:$nil).
4. Includes fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted (refer to note 15(b)). The remaining balance included in the cash flow hedge reserve that relates to derivative contracts that were previously hedge accounted will be amortised over future periods.
5. Foreign exchange loss includes $56.5 million (2011: $nil) of unrealised losses on translation of the United States senior notes refer to note 13(c) and the Japanese yen denominated private placement (refer to note 13(d)).

4 Distributions

(a) Distributions declared and paid by GIT

	Distribution Restated[1] cpu	Total amount $M	Date of payment
Distributions for the year ended 30 June 2012			
– 31 Dec 2011	9.00	139.2	28 Feb 2012
– 30 Jun 2012	9.00	144.5	27 Aug 2012
	18.00	**283.7**	
Distributions for the year ended 30 June 2011			
– 31 Dec 2010	7.50	103.4	28 Feb 2011
– 30 Jun 2011	10.00	147.9	26 Aug 2011
	17.50	**251.3**	

1. The comparative figures have been restated to adjust for the consolidation of every five units into one unit during the year.

(b) Distributions declared and paid by Goodman PLUS Trust

	Distribution cpu	Total amount $M	Date of payment
Distributions for the year ended 30 June 2012			
– 21 Sep 2011	173.4	5.7	21 Sep 2011
– 21 Dec 2011	165.8	5.4	21 Dec 2011
– 21 Mar 2012	158.8	5.2	21 Mar 2012
– 21 Jun 2012	159.8	5.2	21 Jun 2012
	657.8	**21.5**	
Distributions for the year ended 30 June 2011			
– 21 Sep 2010	171.4	5.6	21 Sep 2010
– 21 Dec 2010	167.8	5.5	21 Dec 2010
– 21 Mar 2011	170.2	5.5	21 Mar 2011
– 21 Jun 2011	170.7	5.6	21 Jun 2011
	680.1	**22.2**	

(c) Distributions declared and paid by China Hybrid Investment Sub-Trust

	Distribution cpu	Total amount $M	Date of payment
Distributions for the year ended 30 June 2012			
– 21 Dec 2011	501,369.9	13.8	21 Dec 2011
– 21 Jun 2012	548,767.1	6.9	21 Jun 2012
	1,050,137.0	**20.7**	
Distributions for the year ended 30 June 2011			
– 21 Dec 2010	501,369.9	25.1	21 Dec 2010
– 21 Jun 2011	498,630.1	13.7	21 Jun 2011
	1,000,000.0	**38.8**	

5 Receivables

	Consolidated 2012 $M	2011 $M
Current		
Trade receivables	3.5	6.4
Other receivables	7.5	75.2
Loans to related parties	1,995.5	1,972.2
Other amounts due from related parties	39.3	36.4
Derivative financial instruments	4.9	5.1
	2,050.7	**2,095.3**
Non-current		
Other receivables	7.5	3.8
Loans to related parties	118.1	179.7
Derivative financial instruments	228.7	71.6
	354.3	**255.1**

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

Receivables, excluding derivative financial instruments, denominated in currencies other than Australian dollars are as follows:

Amounts in A$M	NZD	HKD	USD	GBP	EUR	JPY
2012	**19.0**	**–**	**79.5**	**1,129.7**	**594.2**	**347.1**
2011	1.0	171.1	36.4	1,116.7	714.8	231.5

Trade receivables

As at 30 June 2012, trade receivables of $nil were impaired (2011: $nil). The ageing analysis of these trade receivables (before impairment) is as follows:

	Consolidated 2012 $M	2011 $M
Overdue by:		
Up to 1 month	0.4	2.3
1 month to 4 months	0.1	0.9
Greater than 4 months	–	1.7
	0.5	**4.9**

The Consolidated Entity holds bank guarantees as security for $2.3 million (2011: $2.2 million) of its trade receivables from investment property customers.

Loans to related parties

The Consolidated Entity's loans to related parties principally relate to loans to fellow controlled entities of GL and loans to associates and JVEs. The interest rates on loans to related parties were 1.7% to 10.3% per annum (2011: 3.6% to 13.0% per annum). At 30 June 2012, cumulative impairment losses of $246.2 million (2011: $246.2 million) had been recognised against loans from controlled entities of GL. These impairment losses were a result of the devaluation of property assets. Further details of loans to related parties are set out in note 22.

Notes to the consolidated financial statements
Continued

6 Inventories

	Consolidated 2012 $M	2011 $M
Current		
Development land	9.3	19.3
	9.3	**19.3**
Non-current		
Development land	181.5	180.1
	181.5	**180.1**

During the financial year, impairments of $3.9 million (2011: $6.0 million) were recognised to write down development land to net realisable value.

7 Other assets

	Consolidated 2012 $M	2011 $M
Other property assets	104.2	1.8
Prepayments	8.7	5.7
	112.9	**7.5**

8 Investment properties

	Consolidated 2012 $M	2011 $M
Carrying amount at the beginning of the half year	2,662.0	2,500.2
Acquisitions:		
– On acquisition of Moorabbin Airport and Business Park	–	235.7
– Other acquisitions	2.3	24.4
Capital expenditure	74.5	89.4
Disposals:		
– Carrying value of properties sold	(189.8)	(3.8)
– On disposal of interests in controlled entities	(199.6)	(40.9)
Transfers to inventories	(11.3)	(63.4)
Net gain/(loss) from fair value adjustments	12.0	(20.6)
Effect of foreign currency translation	5.6	(59.0)
Carrying amount at the end of the year[1]	**2,355.7**	**2,662.0**
Analysed as:		
Stabilised investment properties	1,999.1	2,349.7
Investment properties under development	356.6	312.3
	2,355.7	**2,662.0**

1. Investment properties with carrying value of $nil (2011: $nil) were subject to charges to secure bank loans.

9 Investments accounted for using the equity method

	Note	Consolidated 2012 $M	2011 $M
Share of net assets accounted for using the equity method			
Associates	9(a)	2,466.3	2,312.6
Joint venture entities (JVEs)	9(b)	194.2	76.1
		2,660.5	**2,388.7**

(a) Investments in associates

	Consolidated 2012 $M	2011 $M
Movements in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,312.6	1,995.4
Share of net results after tax (before revaluations)	156.8	98.8
Share of net gain/(loss) from fair value adjustments on investment properties	(5.3)	57.3
Share of net results	**151.5**	**156.1**
Share of movements in reserves	19.9	50.4
Loss on dilution in investment	(1.9)	(3.8)
Acquisitions	190.4	406.7
Disposals	(73.2)	(72.2)
Distributions received and receivable	(122.3)	(109.0)
Effect of foreign currency translation	(10.7)	(111.0)
Carrying amount at the end of the year	**2,466.3**	**2,312.6**

		Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment/ incorporation	2012 $M	2011 $M	2012 %	2011 %	2012 $M	2011 $M
Property investment associates							
Goodman Australia Industrial Fund (GAIF)	Australia	81.0	74.3	43.3	43.7	1,145.2	1,136.1
Goodman Australia Development Fund (GADF)	Australia	2.8	1.7	20.0	20.0	44.8	21.6
Goodman Trust Australia (GTA)	Australia	42.1	0.6	19.9	19.9	323.8	281.6
Goodman Property Trust (GMT)[1]	New Zealand	5.4	4.9	17.2	16.7	136.3	125.5
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	29.4	54.5	20.0	20.0	220.4	199.8
Goodman China Logistics Holding Limited	China	3.2	2.1	20.0	20.0	11.9	8.5
Goodman European Logistics Fund (GELF)	Luxembourg	(2.1)	17.3	26.6	27.9	326.8	322.5
ABPP	United Kingdom	(10.4)	0.7	36.3	28.9	257.1	217.0
		151.4	**156.1**			**2,466.3**	**2,312.6**

1. GMT is listed in the New Zealand Exchange. The market value of the Consolidated Entity's investment in GMT at 30 June 2012 using the quoted price on the last day of trading was $133.7 million (2011: $117.0 million). The Consolidated Entity is assessed to have significant influence over the operations of GMT despite only owning 17.2% of its issued equity as Goodman Group operates as fund manager and is the largest unitholder in GMT with the rest of the units widely held.

9 Investments accounted for using the equity method continued

(a) Investments in associates continued

Name	Year ended 30 June	Revenue[1] (100%) $M	Result after tax[1] (100%) $M	Total assets (100%) $M	Total liabilities (100%) $M	Net assets as reported by associate (100%) $M
GAIF	2012	435.6	187.1	4,468.5	1,882.8	2,585.7
	2011	401.3	169.7	4,262.9	1,714.7	2,548.2
GADF	2012	6.2	13.9	233.9	19.9	214.0
	2011	0.8	8.6	134.2	33.8	100.4
GTA	2012	261.1	202.3	2,796.2	1,185.4	1,610.8
	2011	66.2	2.8	2,647.4	1,128.3	1,519.1
GMT	2012	89.5	32.0	1,318.5	575.2	743.3
	2011	65.1	27.5	1,253.1	552.5	700.6
GHKLF	2012	91.8	147.1	1,663.5	561.3	1,102.2
	2011	82.5	264.0	1,465.7	466.6	999.1
GCLHL	2012	18.3	16.1	354.4	295.2	59.2
	2011	14.5	10.6	212.4	67.8	144.6
GELF	2012	144.5	20.1	2,181.6	957.9	1,223.7
	2011	139.0	57.8	1,989.7	830.8	1,158.9
ABPP	2012	105.3	(52.0)	1,637.0	914.2	722.8
	2011	172.3	74.4	1,862.8	1,104.1	758.7

1. Amounts presented above for revenue and result after tax are measured from the beginning of the financial year or the date that equity accounting commenced, if later, to the end of the financial year or date equity accounting ceased, if earlier.

9 Investments accounted for using the equity method continued

(b) Investments in JVEs

	Consolidated 2012 $M	Consolidated 2011 $M
Movements in carrying amount of investments in JVEs		
Carrying amount at the beginning of the year	76.1	100.9
Share of net results after tax (before revaluations)	5.1	6.5
Share of net loss from fair value adjustments on investment properties	(1.5)	(0.4)
Share of net results	**3.6**	**6.1**
Share of movements in reserves	0.4	0.3
Acquisitions of investments	116.6	22.8
Disposals of investments	–	(45.1)
Distributions received and receivable	(1.4)	(1.2)
Effect of foreign currency translation	(1.1)	(7.7)
Carrying amount at the end of the year	**194.2**	**76.1**

		Consolidated share of JVE's recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment/ incorporation	2012 $M	2011 $M	2012 %	2011 %	2012 $M	2011 $M
Property investment JVEs							
KWASA Goodman Industrial Trust (KGIT)	Australia	0.5	–	40.0	–	98.9	–
Goodman Princeton Holdings (Lux) Sàrl (Princeton Lux)	Luxembourg	0.9	0.8	20.0	20.0	27.5	13.8
Goodman Princeton Holdings (Jersey) Ltd (Princeton Jersey)	Jersey	0.6	0.5	20.0	20.0	11.2	8.4
Property development JVE							
GGGAIF Huntingwood East (Huntingwood East)	Australia	–	–	50.0	50.0	–	–
GGGAIF Bungarribee No.1 (Bungarribee)[1]	Australia	–	–	50.0	50.0	–	–
Highbrook Development Ltd (HDL)	New Zealand	2.5	2.7	25.0	25.0	54.8	51.2
Other JVEs		(0.8)	2.1			1.8	2.7
		3.7	**6.1**			**194.2**	**76.1**

1. Formerly GGGAIF Moorebank.

9 Investments accounted for using the equity method continued

(b) Investments in JVEs continued

Name	Year ended 30 June	Revenue[1] (100%) $M	Result after tax[1] (100%) $M	Total assets (100%)[2] $M	Total liabilities (100%)[2] $M	Net assets as reported by JVE (100%) $M
KWS	2012	–	–	–	–	–
	2011	–	–	9.8	4.8	5.0
KGIT	2012	1.8	1.3	401.7	154.9	246.8
	2011	–	–	–	–	–
Princeton Lux	2012	5.2	(2.5)	136.9	6.5	130.4
	2011	2.6	1.6	63.4	64.7	(1.3)
Princeton Jersey	2012	3.4	2.9	50.3	1.7	48.6
	2011	3.4	2.7	35.5	1.0	34.5
Huntingwood East	2012	–	–	28.8	43.9	(15.1)
	2011	–	–	26.0	36.9	(10.9)
Bungarribee	2012	–	–	47.6	66.6	(19.0)
	2011	–	–	80.4	98.5	(18.1)
HDL	2012	17.9	13.1	385.3	163.0	222.3
	2011	20.2	10.8	353.6	145.8	207.8

1. Amounts presented above for revenue and result after tax are measured from the later of the beginning of the financial year or the date that equity accounting commenced to the end of the financial year or date equity accounting ceased, if earlier.
2. Included in the statements of financial position of the Consolidated Entity's JVEs are total non-current assets of $1,061.3 million (2011: $606.9 million) and total non-current liabilities of $444.1 million (2011: $391.2 million).

10 Other financial assets

Controlled entities

The significant controlled companies and trusts of the Consolidated Entity are set out below:

Significant controlled companies	Country of incorporation
Goodman Funding Pty Limited	Australia
Willebroek Platform Project NV	Belgium
MGI HK Finance	Cayman Islands
Goodman Developments Asia	Cayman Islands
Goodman China Developments	Cayman Islands
ABPP Investment Jersey Limited	Jersey
Goodman Burton (Jersey) Limited	Jersey
Goodman Citadel (Jersey) Limited	Jersey
Goodman Coventry (Jersey) Limited	Jersey
Goodman Daventry (Jersey) Limited	Jersey
Goodman Ellesmere Port (Jersey) Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Gloucester (Jersey) Limited	Jersey
Goodman Harthills (Jersey) Limited	Jersey
Goodman Holdings (Jersey) Limited	Jersey
Goodman Logistics (Jersey) Limited	Jersey
Goodman Maltby (Jersey) Limited	Jersey
Goodman Oceanview Logistics (Jersey) Limited	Jersey
Goodman Property Holdings (Jersey) Limited	Jersey
Goodman Thurrock (Jersey) Limited	Jersey
Goodman West Thurrock (Jersey) Limited	Jersey
Goodman APP 1&2 (Lux) Sàrl	Luxembourg
Goodman APP 3 (Lux) Sàrl	Luxembourg
Goodman APP 4,5, & CdV (Lux) Sàrl	Luxembourg
Goodman APP Holdings (Lux) Sàrl	Luxembourg
Goodman Feldspar Logistics (Lux) Sàrl	Luxembourg
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Heliotrope Logistics (Lux) Sàrl	Luxembourg
Goodman Hematite Logistics (Lux) Sàrl	Luxembourg
Goodman Jasper Logistics (Lux) Sàrl	Luxembourg
Goodman Leucite Logistics (Lux) Sàrl	Luxembourg
Goodman Magnetite Logistics (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl, SICAR	Luxembourg
Goodman Serpentine Logistics (Lux) Sàrl	Luxembourg
Goodman Turquoise Logistics (Lux) Sàrl	Luxembourg
Rowan Logistics Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman Funding Singapore Pte Limited	Singapore
Aquamarine Gayrimenkul Ticareti Anonim Şirketi	Turkey

10 Other financial assets continued

Controlled entities continued

Significant controlled unit trusts	Country of establishment
ABPP Investment Trust	Australia
BDE Unit Trust	Australia
Biloela Street Unit Trust	Australia
Binary No. 2 Trust	Australia
Cambridge Office Park Trust	Australia
Carter Street Trust	Australia
CC Trust	Australia
Clayton 3 Trust	Australia
Edinburgh Trust	Australia
Euston Road Subtrust	Australia
Goodman Capital Trust	Australia
Goodman Dandenong Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Hong Kong Investment Trust	Australia
Goodman Japan Investment Trust	Australia
Goodman Jersey Holdings Trust	Australia
Goodman JV Holding Trust	Australia
Goodman Palmers Trust	Australia
Goodman Perth Airport No. 1 Trust	Australia
Goodman Perth Airport No. 2 Trust	Australia
Goodman Perth Airport No. 3 Trust	Australia
Goodman PLUS Trust	Australia
Goodman Treasury Trust	Australia
Highbrook Trust	Australia
Hill Road Trust	Australia
HK Tsuen Wan Development Trust	Australia
Homebush Subtrust	Australia
IBC Trust	Australia
MAC Unit Trust	Australia
Mfive Industry Park Trust	Australia
MGA Industrial Portfolio Trust	Australia
MIP Trust	Australia
Moorabbin Airport Unit Trust	Australia
Orion Road Trust	Australia
Penrose Trust	Australia
Perth Leasing Trust	Australia
Port Melbourne 3 Trust	Australia
Regal Business Park Trust	Australia
Saunders Street Trust	Australia
West Melbourne Trust	Australia
Waterloo Road Office Trust	Australia
Harwell Unit Trust	Jersey

11 Payables

	Consolidated 2012 $M	2011 $M
Current		
Trade payables	95.4	34.5
Other payables and accruals	53.8	88.4
Rental income received in advance	2.3	2.4
Loans from related parties[1]	41.7	43.0
Derivative financial instruments	3.1	1.2
	196.3	**169.5**
Non-current		
Other payables and accruals	17.2	41.3
Derivative financial instruments	146.3	137.3
	163.5	**178.6**

1. Details of loans from related parties are set out in note 22.

Payables, excluding derivative financial instruments, denominated in currencies other than Australian dollars are as follows:

Amounts in A$M	NZD	HKD	USD	GBP	EUR	JPY
2012	**1.5**	**5.5**	**84.1**	**56.0**	**51.2**	**3.8**
2011	1.6	14.5	0.3	67.0	56.9	0.1

12 Provisions

Consolidated	Distributions to Unitholders $M	Rental guarantees $M	Other $M	Total $M
Balance at the beginning of the year	147.9	17.9	0.3	166.1
Provisions made	283.7	4.0	0.1	287.8
Provisions used	(287.1)	(6.5)	–	(293.6)
Provisions reversed	–	(13.7)	–	(13.7)
Effect of foreign currency translation	–	0.2	–	0.2
Balance at the end of the year	**144.5**	**1.9**	**0.4**	**146.8**
Analysed as:				
Current	144.5	0.2	0.4	145.1
Non-current	–	1.7	–	1.7
	144.5	**1.9**	**0.4**	**146.8**

Rental guarantees

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

13 Interest bearing liabilities

		Consolidated	
	Note	2012 $M	2011 $M
Current			
Bank loans, unsecured	13(a)	42.5	–
		42.5	**–**
Non-current			
Bank loans, unsecured	13(a)	433.8	590.0
Euro medium-term notes, unsecured	13(b)	382.9	375.0
US senior notes, unsecured	13(c)	1,300.1	768.2
Foreign private placements, unsecured	13(d)	187.9	181.3
		2,304.7	**1,914.5**

13 Interest bearing liabilities continued

(a) Bank loans, unsecured

Facility		AUD	NZD	USD	JPY	EUR	GBP	Total
		Amounts drawn down in A$M equivalents						
Bank loan[1]	30 Jun 2012	100.0	2.3	–	–	–	–	102.3
	30 Jun 2011	120.0	–	–	–	–	–	120.0
Bank loan[2]	30 Jun 2012	150.0	–	–	–	–	–	150.0
	30 Jun 2011	150.0	–	–	–	–	–	150.0
Bank loan[3]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	100.0	–	–	–	–	–	100.0
Bank loan[4]	30 Jun 2012	–	–	42.5	–	–	–	42.5
	30 Jun 2011	–	–	46.5	–	–	–	46.5
Bank loan[5]	30 Jun 2012	21.0	–	–	–	–	–	21.0
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[6]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	–	–	55.4	–	55.4
Bank loan[7]	30 Jun 2012	–	–	52.5	5.6	–	–	58.1
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[8]	30 Jun 2012	80.0	–	–	–	–	–	80.0
	30 Jun 2011	–	–	–	–	–	–	–
Bank loans[9]	30 Jun 2012	–	–	–	–	–	36.8	36.8
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[10]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	–	–	4.6	57.0	61.6
Bank loans[11]	30 Jun 2012	–	15.7	–	–	–	–	15.7
	30 Jun 2011	–	–	–	–	–	–	–
Bank loan[12]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	46.5	–	–	–	46.5
Bank loans[13]	30 Jun 2012	–	–	–	–	–	–	–
	30 Jun 2011	–	–	35.9	0.4	–	–	36.3
Total	**30 Jun 2012**	**351.0**	**18.0**	**95.0**	**5.6**	**–**	**36.8**	**506.4**
	30 Jun 2011	370.0	–	128.9	0.4	60.0	57.0	616.3
Less: Unamortised	30 Jun 2012							(30.1)
borrowing costs	30 Jun 2011							(26.3)
Total unsecured	**30 Jun 2012**							**476.3**
bank loans	30 Jun 2011							590.0

1. At 30 June 2012, the facility limit was A$150.0 million and the facility expires on 27 June 2016.
2. At 30 June 2012, the facility limit was A$150.0 million and the facility expires on 29 June 2016.
3. At 30 June 2012, the facility limit was A$100.0 million and the facility expires on 1 February 2015.
4. At 30 June 2012, the facility limit was A$49.1 million (US$50.0 million) and the facility expires on 28 June 2013.
5. At 30 June 2012, the facility limit was A$90.0 million and the facility expires on 21 December 2016.
6. At 30 June 2012, the facility limit was A$130.2 million (£85.0 million) and the facility expires on 17 August 2013.
7. At 30 June 2012, the facility limits were A$61.3 million (US$62.5 million) that expires on 30 April 2015 and A$62.3 million (¥5.04 billion) that expires on 30 April 2016.
8. At 30 June 2012, the facility limit was A$112.2 million and the facility expires on 29 June 2015.
9. At 30 June 2012, the facility limit was A$144.0 million (£94.0 million) and the facility expires on 13 May 2016.
10. At 30 June 2012, the facility limits were A$114.3 million (€92.5 million) that expires on 5 December 2012 and A$210.1 million (€170.0 million) that expires on 5 December 2013.
11. At 30 June 2012, the facility limit was A$97.9 million (NZ$125.0 million) and the facility expires on 15 May 2015.
12. This facility was fully repaid and cancelled during the current financial year.
13. This facility was fully repaid and cancelled during the current financial year.

In addition to the above facilities, the Consolidated Entity had the following unsecured facilities that had not been drawn as at 30 June 2012 and 30 June 2011:

+ a A$77.2 million (€62.5 million) facility that expires on 6 June 2015; and
+ a A$1.4 million (£0.9 million) facility that expires on 1 September 2012.

The interest rate on the above bank facilities, before the impact of derivatives (refer to note 23), are based on variable floating rates plus margins for each of the relevant drawn currencies.

13 Interest bearing liabilities continued

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A$382.9 million (2011: A$375.0 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 2012 was A$482.1 million (2011: A$455.3 million).

(c) United States senior notes, unsecured

As at 30 June 2012, the Consolidated Entity has notes on issue in the US 144A/Reg S bond market as follows:

+ A$318.9 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$490.6 million (US$500.0 million) maturing on 15 April 2021. The senior unsecured notes were issued at a fixed coupon of 6.375% payable semi-annually; and
+ A$490.6 million (US$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued on 15 March 2012 at a fixed coupon of 6.0% payable semi-annually.

(d) Foreign private placements, unsecured

As at 30 June 2012, the Consolidated Entity had the following unsecured foreign private placements:

+ A$33.4 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
+ A$154.5 million (¥12.5 billion) denominated in Japanese yen. The facility has a fixed coupon payable semi-annually and expires on 3 April 2023.

Finance facilities

	Consolidated	
	Facilities available $M	Facilities utilised $M
At 30 June 2012		
Bank loans, unsecured	1,549.9	506.4
Euro medium-term notes, unsecured	382.9	382.9
United States senior notes, unsecured	1,300.1	1,300.1
Foreign private placement, unsecured	187.9	187.9
Bank guarantees[1]	–	25.3
	3,420.8	**2,402.6**
At 30 June 2011		
Bank loans, unsecured	1,727.1	616.3
Bank loans, secured	6.1	–
Euro medium-term notes, unsecured	375.0	375.0
United States senior notes, unsecured	768.2	768.2
Foreign private placement, unsecured	181.3	181.3
Bank guarantees[1]	–	27.7
	3,057.7	**1,968.5**

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

14 Issued capital

	Consolidated 2012 $M	2011 $M
1,605,107,477 (30 June 2011: 1,478,921,483) fully paid units on issue	7,315.3	7,046.3
Less: Issue costs[1]	(142.2)	(142.2)
	7,173.1	**6,904.1**

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

Stapled security means one unit in GIT stapled to one share in GL. Holders of Goodman Group 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 Unitholders' and Shareholders' meetings. In the event of a winding up of GL and the entities it controlled, Unitholders and Shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Consolidation of securities

On 12 April 2012, Goodman Group undertook an equity consolidation; every five stapled securities on issue were consolidated into one stapled security.

Equity raising

	Units[1]
Units on issue at 1 July 2010	1,273,950,279
Issued due to conversion of convertible preference securities by CIC	104,651,163
Issued under the Goodman Group Tax Exempt Plan	43,118
Issued on acquisition of Moorabbin Airport and Business Park	45,076,923
Issued due to exercise of options by CIC	55,200,000
Units on issue at 30 June 2011	**1,478,921,483**
Units on issue at 1 July 2011	1,478,921,483
Issued due to conversion of convertible preference securities by CIC	123,737,373
Issued under the Goodman Group Tax Exempt Plan	60,048
Issued under the Securities Purchase Plan	2,383,468
Units issued due to upward rounding on consolidation of every five units to one unit	5,105
Units on issue at 30 June 2012	**1,605,107,477**

1. The comparative figures have been restated to adjust for the consolidation of every five units into one unit during the year.

15 Reserves

	Note	Consolidated 2012 $M	Consolidated 2011 $M
Asset revaluation reserve	15(a)	(1,111.2)	(1,230.3)
Cash flow hedge reserve	15(b)	(26.6)	(61.8)
Foreign currency translation reserve	15(c)	(742.0)	(713.2)
Capital profits reserve	15(d)	(151.0)	(90.1)
Total reserves		**(2,030.8)**	**(2,095.4)**

	2012 $M	2011 $M
(a) Asset revaluation reserve		
Balance at the beginning of the year	(1,230.3)	(1,557.7)
Change in fair value of other financial assets	(1.9)	14.3
Transfers to capital profits reserve	58.9	224.1
Transfers from accumulated losses	48.0	65.4
Transfers to the income statement due to disposal of investments	–	(47.2)
Effect of foreign currency translation	14.1	70.8
Balance at the end of the year	**(1,111.2)**	**(1,230.3)**
(b) Cash flow hedge reserve		
Balance at the beginning of the year	(61.8)	(147.3)
Change in value of financial instruments	5.4	36.1
Transfers to the income statement	29.0	37.3
Effect of foreign currency translation	0.8	12.1
Balance at the end of the year	**(26.6)**	**(61.8)**
(c) Foreign currency translation reserve		
Balance at the beginning of the year	(713.2)	(399.0)
Transfers to the income statement	8.1	–
Net exchange differences on conversion of foreign operations	(36.9)	(314.2)
Balance at the end of the year	**(742.0)**	**(713.2)**
(d) Capital profits reserve		
Balance at the beginning of the year	(90.1)	120.9
Transfers from asset revaluation reserve	(58.9)	(224.1)
Effect of foreign currency translation	(2.0)	13.1
Balance at the end of the year	**(151.0)**	**(90.1)**

16 Accumulated losses

	Consolidated 2012 $M	2011 $M
Balance at the beginning of the year	(97.5)	(295.4)
Profit attributable to Unitholders	113.9	514.6
Transfers to asset revaluation reserve	(48.0)	(65.4)
Transfers from non-controlling interests	(20.7)	–
Distributions declared	(283.7)	(251.3)
Balance at the end of the year	**(336.0)**	**(97.5)**

17 Non-controlling interests

	Consolidated 2012 $M	2011 $M
Goodman PLUS Trust hybrid securities	318.8	318.8
CIC convertible preference securities	–	228.2
	318.8	**547.0**

18 Segment reporting

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

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

18 Segment reporting continued

Information about reportable segments

Income statement	Australia and New Zealand 2012 $M	Australia and New Zealand 2011 $M	Asia 2012 $M	Asia 2011 $M	Continental Europe 2012 $M	Continental Europe 2011 $M	United Kingdom 2012 $M	United Kingdom 2011 $M	Total 2012 $M	Total 2011 $M
Revenue and other income										
Gross property income	191.9	196.4	0.1	0.1	3.7	2.1	15.9	17.0	211.6	215.6
Income from disposal of inventories	4.7	–	–	–	–	–	0.6	14.5	5.3	14.5
Distributions from investments	–	4.2	–	–	–	–	15.9	16.1	15.9	20.3
Other income	2.0	–	–	–	2.0	3.6	0.6	0.7	4.6	4.3
Total external revenues	**198.6**	**200.6**	**0.1**	**0.1**	**5.7**	**5.7**	**33.0**	**48.3**	**237.4**	**254.7**
Reportable segment profit before tax	**264.6**	**237.5**	**40.1**	**75.4**	**75.5**	**43.1**	**35.3**	**48.6**	**415.5**	**404.6**
Other material non-cash items not included in reportable segment profit										
Net gain/(loss) from fair value adjustments on investment properties	18.8	6.4	(4.8)	(8.2)	(0.3)	–	(1.7)	(18.8)	12.0	(20.6)
Impairment losses	(248.9)	(4.3)	–	–	(4.1)	(7.8)	–	(1.5)	(252.9)	(13.6)
Other key components of financial performance included in reportable segment profit										
Share of net results of equity accounted investments	134.4	84.0	32.6	59.4	(2.1)	17.5	(9.8)	1.3	155.1	162.2

Statement of financial position	Australia and New Zealand 2012 $M	Australia and New Zealand 2011 $M	Asia 2012 $M	Asia 2011 $M	Continental Europe 2012 $M	Continental Europe 2011 $M	United Kingdom 2012 $M	United Kingdom 2011 $M	Total 2012 $M	Total 2011 $M
Reportable segment assets	**3,882.8**	**4,092.1**	**396.4**	**471.1**	**571.5**	**732.6**	**537.2**	**494.9**	**5,387.9**	**5,790.7**
Investments in equity accounted investments (included in reportable segment assets)	1,804.5	1,616.6	232.3	208.4	355.4	338.4	268.3	225.3	2,660.5	2,388.7
Reportable segment liabilities	**29.2**	**48.3**	**17.9**	**27.5**	**35.6**	**44.1**	**15.4**	**25.1**	**98.1**	**145.0**

18 Segment reporting continued

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

	2012 $M	2011 $M
Revenues		
Total revenue for reportable segments	237.4	240.2
Consolidated revenue	**237.4**	**240.2**
Profit or loss		
Total profit before tax for reportable segments	415.5	404.6
Other non-cash items not included in reportable segment profit	(245.2)	23.2
Unallocated amounts: other corporate expenses	(159.3)	(8.0)
Net finance income – refer to note 3	146.0	159.1
Consolidated profit before income tax	**157.0**	**578.9**
Assets		
Total assets for reportable segments	5,387.9	5,790.7
Interest bearing assets	2,111.1	1,754.9
Other unallocated amounts	486.9	155.0
Consolidated total assets	**7,985.9**	**7,700.6**
Liabilities		
Total liabilities for reportable segments	98.1	145.0
Interest bearing liabilities	2,347.2	1,914.5
Other unallocated amounts	415.5	382.9
Consolidated total liabilities	**2,860.8**	**2,442.4**

19 Disposal of interests in controlled entities

In the current year, the Consolidated Entity disposed of two controlled entities with a fair value of $239.4 million to GL for a nominal consideration. Under Australian Accounting Standards, the Consolidated Entity is deemed to have made a capital contribution to GL at a value equal to the fair value of the controlled entities. However, as there is no further return on this capital contribution, the investment has been impaired to $nil at 30 June 2012. The principal impact on the Consolidated Entity's statement of financial position was a decrease in investment properties and inventories of $199.5 million and $72.3 million respectively and a decrease of other payables of $32.4 million.

20 Auditors' remuneration

	Consolidated	
	2012 $000	2011 $000
Audit services		
Auditor of GIT:		
– Audit and review of financial reports (KPMG Australia)	630.0	741.1
– Audit and review of financial reports (overseas KPMG firms)	242.5	132.9
	872.5	**874.0**
Other regulatory services		
– Other regulatory services (KPMG Australia)	35.0	58.0
– Other regulatory services (overseas KPMG firms)	2.1	1.6
Other assurance services		
– Investigative accounting services (KPMG Australia)	356.0	487.6
Taxation services		
– Taxation compliance services (KPMG Australia)	201.5	126.0
– Taxation compliance services (overseas KPMG firms)	74.7	45.3
– Other taxation advice (KPMG Australia)	14.1	29.2
	683.4	**747.7**
Total paid/payable to KPMG	**1,555.9**	**1,621.7**
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	**32.6**	**21.2**

Notes to the consolidated financial statements
Continued

21 Notes to the consolidated cash flow statement

(a) Reconciliation of cash

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

	Consolidated 2012 $M	Consolidated 2011 $M
Cash assets	**261.0**	**92.6**

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

	Consolidated 2012 $M	Consolidated 2011 $M
Profit for the year	**156.1**	**575.6**
Adjustments for:		
– Net (gain)/loss on disposal of investment properties	(14.0)	0.6
– Net gain on disposal of controlled entities	–	(3.4)
– Net gain on disposal of equity investments	(27.4)	(101.3)
– Net (gain)/loss from fair value adjustments on investment properties	(12.0)	20.6
– Impairment losses	252.9	13.6
– Share of net results of equity accounted investments	(155.1)	(162.2)
– Net finance income	(146.0)	(159.1)
– Income tax expense	0.9	3.3
Profit before changes in working capital and provisions	**55.4**	**187.7**
Change in assets and liabilities during the year:		
– Decrease/(Increase) in receivables	179.0	(33.4)
– Increase in inventories	(41.2)	(29.7)
– Decrease in other assets	0.3	8.9
– (Decrease)/Increase in payables	(30.2)	27.6
– Decrease in provisions	(2.3)	(2.6)
	161.0	**158.5**
Distributions received from equity accounted investments	116.9	116.2
Net finance costs paid	(85.2)	(80.3)
Net income taxes paid	(0.5)	(3.1)
Net cash provided by operating activities	**192.2**	**191.3**

(c) Non-cash financing and investing activities

Disposal of controlled entities

The Consolidated Entity disposed of two controlled entities to GL for a deemed consideration of $239.4 million in the form of an investment in GL.

Distribution reinvestment plans

The Consolidated Entity received distributions of $9.7 million from GMT in the form of units under GMT's distribution reinvestment plan. In the prior financial year, the Consolidated Entity received distributions of $15.1 million and $10.6 million from GAIF and GMT respectively in the form of units under their distribution reinvestment plans.

Conversion of CIC convertible preference securities to ordinary stapled securities

The Consolidated Entity issued $261.8 million (2011: $221.6 million) of ordinary units on conversion of preference securities by CIC.

Other non-cash financing and investing activities

The Consolidated Entity incurred management fees of $158.9 million which was settled through a related party loan. In the prior financial year, the Consolidated Entity acquired Moorabbin Airport and Business Park (refer to note 22) and part of the consideration included the issue of $162.0 million of Goodman Group stapled securities.

22 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.

Responsible Entity's remuneration

In accordance with GIT's Constitution, the Responsible Entity is entitled to receive a management fee and expense reimbursements where expenses have been incurred on behalf of GIT:

	Consolidated	
	2012 $	2011 $
Management fees	**158,889,902**	**7,545,288**

The increase in management fees in the current financial year is a direct result of an increase in fund management costs incurred by the Responsible Entity. The Responsibly Entity was charged $150.0 million by Goodman Property Services (Aust) Pty Limited (GPSA), a controlled entity of GL, for certain one-off employee costs incurred by GPSA (2011: $nil).

As at 30 June 2012, the amounts owed to the Responsible Entity were $nil (2011: $nil).

Goodman Group

Other Goodman Group entities perform a number of services for the Consolidated Entity and billed the following amounts during the year:

	Consolidated	
	2012 $	2011 $
Property services fees (including property management and leasing)	5,081,801	4,264,982
Development management and project fees	3,671,989	3,500,000
Building supervisor costs reimbursed	1,260,212	1,532,908
	10,014,002	**9,297,890**

In addition to the above, there were the following transactions between other Goodman Group entities and the Consolidated Entity:

+ Goodman Vineyard Pty Limited (Vineyard) is a fellow controlled entity of Goodman Group. The balance of the loan provided by GIT to Vineyard at 30 June 2012 is $nil (2011: $67.9 million). The purpose of the loan to Vineyard was to fund the development of M7 Business Hub, Eastern Creek, NSW. The loan was limited recourse, interest bearing at a rate of 15% per annum and matured on December 2011. Interest and other amounts charged to Vineyard during the year totalled $5.1 million (2011: $13.1 million);
+ other loans to other Goodman Group entities exist at 30 June 2012 totalling $2,197.9 million (2011: $2,107.1 million), of which $1,852.9 million are interest bearing and $345.0 million are non-interest bearing. Interest bearing loans bear interest at rates determined based on the terms under which the funds are borrowed;
+ other loans from other Goodman Group entities exist at 30 June 2012 totalling $41.7 million (2011: $43.0 million) of which $32.6 million are interest bearing and $9.1 million are non-interest bearing. Interest bearing loans bear interest at rates determined based on the terms under which the funds are borrowed; and
+ In the comparative period, Dollhurst Limited, a fellow controlled entity of Goodman Group, had issued $97.5 million (£65.0 million) of fixed rate notes (Notes) to GIT. The Notes were unsecured with limited recourse and matured on 31 December 2011. Interest at 8.5% per annum was payable on the Notes semi-annually in arrears on 30 June and 31 December.

22 Related party disclosures continued

Transactions with Goodman Holdings Group

Mr Gregory Goodman is a director of and shareholder in Goodman Holdings Group.

Acquisition of Moorabbin Airport and Business Park

In the prior financial year, the Consolidated Entity completed the acquisition from Goodman Holdings Group of the units in MAC Unit Trust which owned 100% of the ordinary shares of MAC Investment Corporation Pty Limited (MIC), which in turn owned 66.67% of the ordinary shares in Moorabbin Airport Corporation Pty Limited (MAC), which in turn held the leasehold interest in Moorabbin Airport and Business Park. At the same time, the Consolidated Entity also indirectly acquired from an independent third party the units in Moorabbin Airport Unit Trust, which owned the remaining shares in MAC.

The consideration for both MAC Unit Trust and Moorabbin Airport Unit Trust, approved by Securityholders at the Extraordinary General Meeting of Goodman Group on 29 October 2010, included the issue of 45,076,923 stapled securities to the vendors at an agreed issue price of $3.25 each (amounts have been restated to take account of the one for five Goodman Group stapled security consolidation), cash of $35.0 million and repayment of MAC bank debt of $20.0 million. The stapled securities are currently held in escrow, one third until 24 May 2013 and the remainder until 24 May 2016, and the cash is being held in escrow until 24 May 2014. The principal asset of MAC was a leasehold interest in stabilised and development land, which was independently valued at $201.5 million. At the date of acquisition, MAC also had a bank facility drawn to $20.0 million. The Consolidated Entity incurred costs of $13.3 million in respect of the transaction primarily relating to stamp duty. At 30 June 2011, there were no amounts outstanding in respect of this transaction.

Transactions with associates and JVEs

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

	Disposals of controlled entities and investment properties		Interest charged on loans to related parties	
	2012 $M	2011 $M	2012 $M	2011 $M
Associates	**34.2**	**–**	**2.3**	**1.7**
JVEs[1]	**211.9**	**–**	**3.3**	**12.6**

1. Revenue from disposals of assets includes $203.0 million from the disposal of investment properties to KGIT.

Amounts due from associates and JVEs at 30 June 2012 were as follows:

	Amounts due from related parties[1]		Loans provided by the Consolidated Entity[2]	
	2012 $M	2011 $M	2012 $M	2011 $M
GAIF	–	–	–	–
GADF	–	–	–	–
GTA	–	–	–	–
GMT	2.1	–	–	–
GCLHL	–	–	39.5	21.1
GELF	13.6	28.8	29.7	20.8
ABPP	23.1	7.6	–	–
Associates	**38.8**	**36.4**	**69.2**	**41.9**
Bungarribee	–	–	11.8	–
Huntingwood East	–	–	14.5	13.0
Other JVEs	0.5	–	22.6	27.6
JVEs	**0.5**	**–**	**48.9**	**40.6**

1. Trade and other receivables due were receivable within 30 days.
2. Loans provided to associates and JVEs have generally been provided on an arm's length basis. At 30 June 2012, details in respect of the principal loan balances are set out below:
   + the shareholders in GCLHL have provided interest free loans to GCLHL in proportion to their respective equity interests;
   + a shareholder loan of $29.5 million (2011: $20.7 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of GELF, and incurred interest at 6.9% per annum; and
   + shareholder loans to Bungarribee and Huntingwood East incurred interest at 7.4% per annum.

23 Financial risk management

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

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

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

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

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

Capital management

The Consolidated Entity's main capital management objectives are to maintain a strong capital base and provide funds for capital expenditure and investment opportunities as they arise. This is achieved through an appropriate mix of debt, equity and hybrid instruments.

The Consolidated Entity is able to alter the capital mix, subject to Board approval, by issuing new stapled securities or hybrid securities, electing to have the distribution reinvestment plan underwritten and recycling assets to funds managed by Goodman Group or to third parties to reduce borrowings. Equity should be fully invested to ensure that a maximum return on the capital is achieved.

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

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

23 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2012, the principal that is hedged, the weighted average exchange rates and the periods of expiry, by currency, are set out below:

CCIRS: AUD receivable: Expiry by currency	2012 Amounts payable LC'M	2012 Amounts receivable A$M	2012 Weighted average exchange rate LC/AUD	2011 Amounts payable LC'M	2011 Amounts receivable A$M	2011 Weighted average exchange rate LC/AUD
NZD payable						
1–2 year(s)	(85.0)	69.7	1.2200	(102.0)	81.0	1.2590
2–5 years	(120.0)	92.2	1.3015	(85.0)	69.7	1.2200
	(205.0)	**161.9**		**(187.0)**	**150.7**	
HKD payable						
2–5 years	(1,450.0)	184.7	7.8870	(2,150.0)	294.8	7.3167
	(1,450.0)	**184.7**		**(2,150.0)**	**294.8**	
JPY payable						
2–5 years	(8,500.0)	97.3	87.3694	–	–	–
Over 5 years	(8,500.0)	100.8	84.3000	(7,000.0)	79.6	87.9200
	(17,000.0)	**198.1**		**(7,000.0)**	**79.6**	
EUR payable						
2–5 years	(50.0)	69.2	0.7226	(50.0)	69.2	0.7226
Over 5 years	(200.0)	263.7	0.7587	(120.0)	179.0	0.6705
	(250.0)	**332.9**		**(170.0)**	**248.2**	

CCIRS: USD receivable: Expiry by currency	2012 Amounts payable CNY'M	2012 Amounts receivable USD'M	2012 Weighted average exchange rate CNY/USD	2011 Amounts payable CNY'M	2011 Amounts receivable USD'M	2011 Weighted average exchange rate CNY/USD
CNY payable						
Less than 1 year	(402.6)	60.0	6.7099	–	–	–
1–2 year(s)	–	–	–	(402.6)	60.0	6.7099
	(402.6)	**60.0**		**(402.6)**	**60.0**	

23 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

At 30 June 2012, 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 a series of CCIRS, which facilitated repayment of interest bearing liabilities denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2012			2011		
CCIRS: USD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate LC/USD	Amounts payable LC'M	Amounts receivable USD$M	Weighted average exchange rate LC/USD
EUR receivable						
Over 5 years	(531.2)	735.0	0.7228	(378.1)	535.0	0.7068
	(531.2)	**735.0**		**(378.1)**	**535.0**	
GBP receivable						
Over 5 years	(255.7)	410.0	0.6237	(179.3)	290.0	0.6182
	(255.7)	**410.0**		**(179.3)**	**290.0**	

	2012			2011		
CCIRS: JPY receivable Expiry by currency	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate GBP/JPY	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate GBP/JPY
GBP receivable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	**11,300.0**		**(85.9)**	**11,300.0**	

Additionally, the Consolidated Entity enters into forward foreign exchange contracts to hedge a proportion of the income received/receivable from its investments denominated in overseas currencies. Based on the Consolidated Entity's existing forward foreign exchange contracts as at 30 June 2012, the weighted average exchange rates and the principal amounts expiring in future financial years, by currency, are set out below:

	2012			2011		
Forward contract: AUD receivable	Expiry date	Amounts receivable A$M	Weighted average exchange rate LC/AUD	Expiry date	Amounts receivable A$M	Weighted average exchange rate LC/AUD
New Zealand dollars payable	by 30 June 2013	4.2	1.1932	by 30 June 2013	8.7	1.1848
Hong Kong dollars payable	by 30 June 2013	12.8	4.9077	by 30 June 2013	25.4	4.9481

Sensitivity analysis

At 30 June 2012, if the Australian dollar had strengthened by 5% (2011: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders would have decreased by A$7.6 million (2011: A$10.0 million decrease). If the Australian dollar had weakened by 5% (2011: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders would have increased by A$8.4 million (2011: A$11.1 million increase).

23 Financial risk management continued

(a) Market risk continued

Interest rate risk

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

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2012, are set out below:

	Interest bearing liabilities $M	Impact of derivatives: CCIRS[1] $M	IRS $M	Net interest rate exposure $M
30 June 2012				
Fixed rate liabilities	1,837.5	(1,263.2)	1,516.0	2,090.3
Floating rate liabilities	509.7	1,165.5	(1,516.0)	159.2
	2,347.2	**(97.7)**	**–**	**2,249.5**
30 June 2011				
Fixed rate liabilities	1,288.0	(899.1)	1,306.9	1,695.8
Floating rate liabilities	626.5	848.2	(1,306.9)	167.8
	1,914.5	**(50.9)**	**–**	**1,863.6**

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

As a result of the fixed rate interest bearing liabilities and IRS that exist as at 30 June 2012, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

	2012		2011	
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	2,090.3	4.48	1,673.1	5.37
2 years	2,083.3	4.50	1,587.0	5.44
3 years	1,873.0	4.64	1,355.9	5.82
4 years	1,212.0	5.98	1,076.1	6.19
5 years	760.6	7.63	781.9	7.11

Sensitivity analysis

At 30 June 2012, if interest rates on borrowings had been 100 basis points per annum (2011: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Unitholders for the financial year would have been A$0.1 million lower/higher (2011: A$0.2 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 resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, including new debt facilities, new issues of securities or the distribution reinvestment plan.

Goodman Group's treasury function is responsible for reporting details of all debt maturities for all loans across the regions to the Board at its regular meetings. 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.

23 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	Up to 12 months $M	1–2 year(s) $M	2–3 years $M	3–4 years $M	4–5 years $M	More than 5 years $M
As at 30 June 2012								
Non-derivative financial liabilities								
Payables	210.4	213.5	193.2	5.6	–	–	14.7	–
Bank loans, unsecured[1]	476.3	506.4	43.3	–	150.2	267.9	21.7	23.3
Euro medium-term notes, unsecured	382.9	644.1	72.9	37.3	37.3	37.4	37.3	421.9
US senior notes, unsecured	1,300.1	2,058.9	98.7	82.2	82.2	82.4	82.2	1,631.2
Foreign private placement, unsecured	187.9	255.6	7.5	6.1	6.1	6.2	6.1	223.6
Total non-derivative financial liabilities	**2,557.6**	**3,678.5**	**415.6**	**131.2**	**275.8**	**393.9**	**162.0**	**2,300.0**
Derivative financial liabilities								
Net settled[2]	108.2	98.5	18.9	30.6	24.1	15.9	7.3	1.7
Gross settled[3]:								
Inflow	–	923.7	106.9	107.1	107.1	105.1	96.3	401.2
Outflow	(192.4)	(728.4)	(60.0)	(61.5)	(62.8)	(86.2)	(98.0)	(359.9)
Total derivative financial liabilities	**(84.2)**	**293.8**	**65.8**	**76.2**	**68.4**	**34.8**	**5.6**	**43.0**
As at 30 June 2011								
Non-derivative financial liabilities								
Payables	209.6	209.6	168.3	30.4	–	–	–	10.9
Bank loans, unsecured[1]	590.0	616.3	–	104.8	105.2	136.3	270.0	–
Bank loans, secured[1]	375.0	667.6	71.4	36.6	36.6	36.6	36.7	449.7
Euro medium-term notes, unsecured	768.2	1,256.1	59.2	49.7	49.7	49.7	49.8	998.0
Foreign private placement, unsecured	181.3	256.4	7.7	6.2	6.2	6.2	6.3	223.8
Total non-derivative financial liabilities	**2,124.1**	**3,006.0**	**306.6**	**227.7**	**197.7**	**228.8**	**362.8**	**1,682.4**
Derivative financial liabilities								
Net settled[2]	86.2	89.9	31.1	23.9	15.6	8.3	5.9	5.1
Gross settled[3]:								
Inflow	–	730.7	93.3	90.9	94.3	88.8	72.0	291.4
Outflow	(24.4)	(704.3)	(52.2)	(59.0)	(67.2)	(72.8)	(98.4)	(354.7)
Total derivative financial liabilities	**61.8**	**116.3**	**72.2**	**55.8**	**42.7**	**24.3**	**(20.5)**	**(58.2)**

1. Cash flows relating to non-derivative financial liabilities under revolving facilities exclude any estimated interest payments.
2. Net settled includes IRS and forward foreign currency contracts.
3. Gross settled includes CCIRS.

23 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 transferred only upon receipt of proceeds for the sale of those assets.

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

The credit risks associated with financial instruments are managed by:

+ transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
+ utilising ISDA agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties.

(d) Fair values of financial instruments

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

Consolidated	Note	Carrying amount 2012 $M	Fair value 2012 $M	Carrying amount 2011 $M	Fair value 2011 $M
Financial assets					
Cash	21(a)	261.0	261.0	92.6	92.6
Receivables:	5				
– Loans to related parties		2,113.6	2,113.6	2,151.9	2,151.9
– Trade and other receivables		57.8	57.8	121.8	121.8
– IRS		11.6	11.6	5.9	5.9
– CCIRS		217.1	217.1	61.1	61.1
– Foreign exchange contracts		4.9	4.9	9.7	9.7
		2,666.0	**2,666.0**	**2,443.0**	**2,443.0**
Financial liabilities					
Payables:	11				
– Trade, other payables and accruals		210.4	210.4	209.6	209.6
– IRS		124.7	124.7	101.8	101.8
– CCIRS		24.7	24.7	36.7	36.7
Interest bearing liabilities[1]	13	2,347.2	2,488.0	1,914.5	1,994.8
Provisions	12	146.8	146.8	166.1	166.1
		2,853.8	**2,994.6**	**2,428.7**	**2,509.0**

1. The methods used for determining fair values of financial instruments are discussed in notes 1, 2, and 5. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2012.

23 Financial risk management continued

(d) Fair values of financial instruments continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels 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).

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 30 June 2012				
Derivative financial assets	–	233.6	–	233.6
	–	**233.6**	**–**	**233.6**
Derivative financial liabilities	–	149.4	–	149.4
	–	**149.4**	**–**	**149.4**
As at 30 June 2011				
Derivative financial assets	–	76.7	–	76.7
	–	**76.7**	**–**	**76.7**
Derivative financial liabilities	–	138.5	–	138.5
	–	**138.5**	**–**	**138.5**

24 Commitments

	Consolidated	
	2012 $M	2011 $M
Capital expenditure commitments on existing investment properties		
Contracted but not provided for and payable:		
– Within one year	30.6	22.2
– Later than one year but not later than five years	2.4	–
– Later than five years	–	–
	33.0	**22.2**

At 30 June 2012, the Consolidated Entity was also committed to the following expenditure in respect of development activities:

+ $44.9 million (2011: $nil) on inventories;
+ $3.1 million (2011: $nil) on construction contracts; and
+ $36.4 million (2011: $nil) on funding for developments in JVEs.

Acquisition of investment properties

At 30 June 2012, the amount contracted for the acquisition of investment properties not provided for is $nil (2011: $41.8 million).

24 Commitments continued

Commitment to investment in funds managed by Goodman Group

At 30 June 2012, the Consolidated Entity was committed to invest A$58.0 million (2011: A$nil) into GCLHL to fund property acquisitions.

At 30 June 2012, the Consolidated Entity was committed to invest A$82.1 million (30 June 2011: A$nil) into GELF, being Goodman's share of the uncalled amount of the rights issue that was finalised in November 2011.

In relation to GAIF and GELF, the Goodman Group offers a limited liquidity facility to investors, which allows the investors to sell to the Goodman Group 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 2.5% of the issued capital of GAIF and GELF each quarter. Furthermore, the Goodman Group 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 is above the prescribed limit and this liquidity facility is not open for investors; however, Goodman Group's interest in GELF is below the prescribed limit and this liquidity facility is open for investors.

At the end of the prior financial year, the Consolidated Entity's was committed to invest:

+ A$14.7 million into GADF to fund the development of investment properties. This commitment has been satisfied during the current financial year; and
+ A$76.8 million into GHKLF, which expired on 2 November 2011.

Non-cancellable operating lease receivable from investment property customers

	Consolidated	
	2012 $M	2011 $M
Non-cancellable operating lease commitments receivable:		
– Within one year	173.4	169.6
– Later than one year but not later than five years	459.3	476.3
– Later than five years	146.2	172.5
	778.9	**818.4**

25 Parent Entity financial information

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

	2012 $M	2011 $M
Result of the Parent Entity		
(Loss)/Profit for the year	(113.3)	405.6
Other comprehensive income for the year	167.0	(47.2)
Total comprehensive income for the year	**53.7**	**358.4**
Financial position of the Parent Entity at year end		
Current assets	1,753.4	1,596.5
Total assets	5,049.8	4,979.9
Current liabilities	183.9	154.7
Total liabilities	183.9	154.7
Total equity of the Parent Entity comprising of:		
Issued capital	7,173.1	6,904.1
Asset revaluation reserve	(687.4)	(845.8)
Accumulated losses	(1,619.8)	(1,233.1)
Total equity	**4,865.9**	**4,825.2**

Parent Entity capital commitments

The Parent Entity has no capital commitments (2011: $nil).

25 Parent Entity financial information continued

Parent Entity contingencies

Capitalisation Deed Poll

GIT, GL and certain of their wholly-owned controlled entities are "investors" under a Capitalisation Deed Poll (CDP) dated 23 May 2007. Under the CDP, each investor undertakes to pay to the relevant controlled entity borrower (borrower) any amounts owing under the CDP when the borrower fails to make a payment. Any payments by an investor to a borrower will be by way of loan or proceeds for the subscription of equity in the borrower by the investor. As at 30 June 2012, the Consolidated Entity had A$506.4 million (2011: A$616.3 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 13), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2016, at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, 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 note programme

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 17), 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 have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

Goodman PLUS Trust hybrid securities guarantee

Goodman Funds Management Limited, as responsible entity of GIT, and GL guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS Trust hybrid securities (refer to note 17) under the terms of issue and subscription terms for those securities.

Stapling agreement with GL

As at 30 June 2012, GL had net assets of $353.7 million (2011: net assets of $63.5 million). In accordance with the stapling agreement between GIT and GL, under certain circumstances the Responsible Entity and GL are obliged to provide financial support to each other to enable both entities to repay their debts as and when they become due and payable.

26 Events subsequent to balance date

Internal restructure of Goodman Group

On 30 March 2012, Securityholders at an Extraordinary General Meeting of Goodman Group authorised the Board of GL to undertake an internal restructure of Goodman Group by adding a new Hong Kong incorporated company, Goodman Logistics (HK) Limited, to the existing Goodman Group stapled structure and make amendments to the constitutions of GL and GIT. As at the date of signature of this consolidated financial report, all of the conditions for the restructure of Goodman Group have been satisfied or waived and it is expected that the restructure will be implemented on 22 August 2012.

Goodman North America Partnership

As at the date of this consolidated financial report, the Consolidated Entity and the Canada Pension Plan Investment Board (CPPIB) confirmed the launch of a new logistics and industrial partnership called Goodman North America Partnership (GNAP). The Consolidated Entity and CPPIB have targeted an equity amount of US$890.0 million on a 55/45 basis respectively. Four development sites, which have already been secured by Goodman Group, are to be offered to GNAP, two in the Inland Empire (Los Angeles area), Oakland (San Francisco Bay area) and Lehigh Valley (Philadelphia), with in excess of 900,000 square metres of gross lettable area and a combined total completion value of more than US$700.0 million (A$700.0 million).

In the opinion of the Directors, there were no other 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 140 to 185, 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 2012 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 Group Chief Financial Officer for the financial year ended 30 June 2012.

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, 10 August 2012

Gregory Goodman
Group Chief Executive Officer

Independent auditor's report

to the Unitholders of Goodman Industrial Trust

KPMG

Report on the financial report

We have audited the accompanying financial report of Goodman Industrial Trust (the Trust), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 26 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 2012 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

KPMG

Stuart Marshall
Partner

Sydney, 10 August 2012

Securities information

Top 20 Securityholders As at 31 August 2012	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	383,159,695	23.87
2. J P Morgan Nominees Australia Limited	368,093,029	22.93
3. National Nominees Limited	230,732,666	14.37
4. J P Morgan Nominees Australia Limited	210,399,240	13.11
5. Citicorp Nominees Pty Limited	70,101,156	4.37
6. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	45,882,952	2.86
7. AMP Life Limited	31,741,208	1.98
8. J P Morgan Nominees Australia Limited <Cash Income A/C>	26,501,958	1.65
9. BNP Paribas Noms Pty Ltd <Master Cust DRP>	22,028,477	1.37
10. Beeside Pty Limited	16,923,077	1.05
11. BNP Paribas Noms Pty Ltd <DRP>	16,522,721	1.03
12. Cambio Investments Pty Limited	15,025,641	0.94
13. BNP Paribas Noms Pty Ltd <SMP Accounts DRP>	13,347,097	0.83
14. Cambio Investments Pty Limited	13,128,205	0.82
15. Bond Street Custodians Limited <ENH Property Securities A/C>	6,079,146	0.38
16. HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	4,313,849	0.27
17. UBS Nominees Pty Ltd	4,156,250	0.26
18. Bond Street Custodians Limited <Macquarie Alpha Opport A/C>	3,662,212	0.23
19. Questor Financial Services Limited <TPS RF A/C>	3,416,112	0.21
20. QIC Limited	2,917,346	0.18
Securities held by top 20 Securityholders	1,488,132,037	92.71
Balance of securities held	116,975,438	7.29
Total issued securities	**1,605,107,475**	**100.00**

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	5,560	2,861,958	0.18
1,001 – 5,000	7,851	19,594,766	1.22
5,001 – 10,000	2,291	16,184,161	1.01
10,001 – 100,000	1,430	31,384,122	1.96
100,001 – over	118	1,535,082,468	95.63
Total	**17,250**	**1,605,107,475**	**100.00**

There were 446 Securityholders with less than a marketable parcel in relation to 8,879 securities as at 31 August 2012.

Substantial Securityholders[1]	Number of securities
Leader Investment Corporation; China Investment Corporation	285,742,961
FMR LLC and FIL	96,575,375
Vanguard Investments Australia Ltd	83,236,550
BlackRock Investment Management (Australia) Limited	74,059,708

1. In accordance with latest Substantial Securityholder Notices as at 31 August 2012.

Stapling
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 Depositary Nominees Pty Limited to cast one vote for each Chess Depositary 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.

ASIC Australian Securities and Investments Commission.

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.

Birtcher Birtcher Development & Investments.

CPPIB Canada Pension Plan Investment Board.

Cps Cents per security.

Cpu Cents per unit.

Customer Service Model Customer Service Model means Goodman Group's operating and cultural philosophy, which is based on providing complete property solutions to its customers through the delivery of a diverse range of industrial property and business space products and in-house property services.

Distribution yield The annual distribution expressed as a percentage of the security price.

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

EBIT Earnings before interest and tax.

EPF Employees Provident Fund.

EPS Earnings per security.

ESAP Employee Securities Acquisition Plan.

Executive Option Plan or **EOP** Executive Option Plan, approved by Securityholders on 16 November 2006.

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.

GBNA Goodman Birtcher North America LLC.

GCLHL Goodman China Logistics Holding Limited, 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).

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

GJL Goodman Japan Limited, Goodman's platform in Japan and a 50/50 joint venture between Goodman and Macquarie.

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

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

GNAP Goodman North America Partnership, a logistics and industrial partnership between Goodman and CPPIB.

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

Goodman Group or **GMG** Goodman Limited, Goodman Industrial Trust, and since 22 August 2012, Goodman Logistics (HK) Limited, trading as Goodman Group and where the context requires, their controlled entities.

Goodman Holdings Group Goodman Holdings Pty Limited and its controlled entities.

LTI Long term incentive.

LTIP Long Term Incentive Plan, approved by Securityholders.

Macquarie Group Macquarie Group Limited and its controlled entities, where the context requires.

NAV Net asset value: the value of the 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.

NLA Net lettable area.

NTA Net tangible assets: the value of gross assets less all debts and other liabilities.

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 since 22 August 2012, GLHK.

Sqm Square metres.

Sq ft Square feet.

Stapled The linking together of a GIT unit, a GL share, and since 22 August 2012, 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 since 22 August 2012, 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.

WH&S Work health and safety.

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Corporate directory

Goodman Group

Goodman Limited
ABN 69 000 123 071

Goodman Industrial Trust
ARSN 091 213 839

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

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

Offices

Registered office
Level 17
60 Castlereagh Street
Sydney NSW 2000
Australia
GPO Box 4703
Sydney NSW 2001

Telephone	1300 791 100 (within Australia) +61 2 9230 7400 (outside Australia)
Facsimile	+61 2 9230 7444
Email	info@goodman.com
Website	www.goodman.com

Other offices

Adelaide	Eindhoven	Paris
Auckland	Hamburg	Perth
Barcelona	Hong Kong	Poznan
Beijing	London	Prague
Birmingham	Los Angeles	Reading
Brisbane	Luxembourg	Senec
Brussels	Lyon	Shanghai
Budapest	Madrid	Sydney
Chengdu	Marseille	Tokyo
Christchurch	Melbourne	Warsaw
Cracow	Milan	
Düsseldorf	Osaka	

Directors

Mr Ian Ferrier, AM	(Independent Chairman)
Mr Gregory Goodman	(Group Chief Executive Officer)
Mr Philip Fan	(Independent Director)
Mr John Harkness	(Independent Director)
Ms Anne Keating	(Independent Director)
Ms Rebecca McGrath	(Independent Director)
Mr Phillip Pryke	(Independent Director)
Mr James Sloman, OAM	(Independent Director)

Company Secretary
Mr Carl Bicego

Security Registrar

Computershare Investor Services Pty Limited
Level 5
115 Grenfell Street
Adelaide SA 5000
GPO Box 1903
Adelaide SA 5001

Telephone	1300 723 040 (within Australia) +61 3 9415 4043 (outside Australia)
Facsimile	+61 8 8236 2305
Email	www.investorcentre.com/contact
Website	www.computershare.com

Custodians

The Trust Company Limited
20 Bond Street
Sydney NSW 2000

Perpetual Trustee Company Limited
123 Pitt Street
Sydney NSW 2000

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

ASX code

GMG

US Notice

Goodman Group gives notice that:

(i) each Securityholder that is in the United States or a U.S. Person is required to be a Qualified Institutional Buyer as defined under the U.S. Securities Act and a Qualified Purchaser under the U.S. Investment Company Act ("QIB/QP") at the time of the acquisition of any Stapled Securities of Goodman Group, and is required to make the representations in the Subscription Agreement as of the time it acquired the applicable Stapled Securities;

(ii) the Stapled Securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S, where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, in the United States or a U.S. Person (e.g., no prearranged trades ("special crossing") with U.S. Persons or other off-market transactions); and

(iii) to the maximum extent permitted by law, Goodman Group reserves the right to (i) request any person that they deem to be in the United States or a U.S. Person, who was not at the time of acquisition of the Stapled Securities a QIB/QP, to sell its Stapled Securities, (ii) refuse to record any subsequent sale or transfer of Stapled Securities to a person in the United States or a U.S. Person that Goodman Group reasonably believes is not a QIB/QP, and (iii) take such other action as they deem necessary or appropriate to enable the GL and GIT to maintain the exception from registration under Section 3(c)(7) of the Investment Company Act.

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 2012.