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Chairman's letter

Strength in numbers

The strength of the result delivered by Goodman in 2013 can be attributed to the focused and consistent delivery of the Group's strategy across all parts of the business. Goodman's extensive human and capital resources have enabled it to build a leading market position in the industrial property sector and pursue a range of sustainable growth opportunities across its platform globally. This in turn will ensure it continues to grow profitably and generate long-term value for all of its stakeholders.

Financial highlights for the year include:

- + operating profit of \$544 million, equating to operating earnings per security of 32.4 cents;
- + statutory profit of \$161 million (including \$293 million of unrealised derivative and foreign exchange mark to market adjustments which is due to our currency hedging policy and is offset by a favourable \$269 million of foreign currency translation recognised in reserves and not through the income statement);
- + total distribution and dividend of 19.4 cents per security, up 8% compared with the same period last year;
- + a strong financial position, with balance sheet gearing reduced to 18.5%, interest coverage ratio of 5.0x and weighted average debt maturity of 5.4 years; and
- + Group liquidity at \$1.8 billion.

Goodman has expanded and strengthened its global platform and continues to build a sustainable business and brand recognised for its specialist capability and quality industrial product offering. The Group has benefited from a strategy of securing the optimal business mix of significant capital partners, a global and stable customer base and through its network expansion into both large and high growth markets. This activity is underpinned by a prudent allocation of resources.

An undersupply of prime quality industrial space globally and a number of structural changes taking place mean that demand from customers and investors for our development product continues to be strong. Penetration of the third party logistics, e-retail, retail and fast moving consumer goods (FMCG) and automotive sectors all provide profitable sources of growth for the Group across its key markets. The momentum in the Group's underlying business is being supported by these four key sources of growth that are fuelling demand for high quality logistics assets.

Importantly, Goodman has the expertise, infrastructure and capital to service our customers around the world and the flexibility to adapt to their changing business requirements and the broader structural changes shaping the industrial sector globally.

Third party logistics. The rapid growth in e-commerce, greater supply chain efficiencies, building obsolescence and consolidation among third party logistics providers have facilitated the ongoing growth of our strong long-term relationships with international logistics customers, including DHL, DB Schenker, Nippon Express, Toll and Kuehne + Nagel.

E-retail. Changes in the logistics market driven by the increase in e-retail have meant that this is now Goodman's fastest growing customer segment, partnering with customers such as Amazon, Zalando, Net-A-Porter and GraysOnline. This is reflected in Goodman's development work in progress, with a significant number of projects currently underway on behalf of e-retail or e-retail related customers.

Retail and FMCG. High penetration of a core and reliable customer base of traditional retail and FMCG businesses provides consistent returns and recurring opportunities from relationships including Woolworths, Metcash, Tesco, Coca-Cola and Unilever.

Automotive. A rising middle class in developing markets, particularly China and Brazil, is also driving growth in the automotive sector where Goodman partners with customers such as Mazda, BMW, Daimler and Volkswagen.

We adopted a partnering approach when entering two of the world's largest markets of the US and Brazil, capitalising on local knowledge and expertise to help realise opportunities. Building capability and realising profits in new markets take time and our strategy is to invest patiently, expand prudently and position the Group to capitalise on its unique opportunities.

In November, we announced our new joint venture in Brazil with WTorre to form WTGoodman. WTorre is one of Brazil's leaders in the development and construction of industrial warehouse and logistics facilities and commercial real estate. The joint venture will undertake the development of prime logistics and industrial properties on a 50/50 basis in key markets throughout Brazil. The strategy includes the deployment of a highly experienced team, combining WTorre's local market expertise and logistics capability with Goodman's global customer base and fund management expertise. Construction is underway on phase one of the first development at International Business Park, Rio de Janeiro and is due for completion in 2013.

Since our launch into the US in 2012, we have progressed our expansion into the world's largest market. We are taking a development led approach and by the end of the year our first property, Goodman Logistics Center Oakland, will be complete. During the 2013 financial year, Goodman North America Partnership secured equity of US\$890 million from the Group together with Canada Pension Plan Investment Board on a 55/45 basis.

During the year, we appointed three new executive directors to reflect the global nature of the business and emphasise the importance of Goodman's diversity and growth of its offshore operations: Mr Anthony Rozic, Deputy Chief Executive Officer, Mr Danny Peeters, Executive Director, Continental Europe and Brazil, and Mr Philip Pearce, Managing Director, Greater China and a director of Goodman Logistics (HK) Limited. The appointments reflect the direct and extensive involvement of these executives in the major logistics markets of North America, Europe and Brazil, and China respectively.

Each new member brings over seven years of experience to the Group and their skill sets will complement the functional and strategic direction of the Board. They will also bring formal responsibility and decision making to enhance communication with the Board and Securityholders, along with assisting the Board with future succession planning.

With fully operational businesses in key global markets, long-term customer and capital partner relationships established and our experienced teams driving a sustainable business model, we are starting the 2014 financial year in a strong position. I would like to thank our Securityholders, customers, capital partners and staff for their continued support and commitment.



Ian Ferrier, AM
Independent Chairman

Group Chief Executive Officer's report

Sustainable growth

Goodman Group delivered a solid financial result in the 2013 financial year, driven by the focused and consistent execution of our business strategy and the accelerating momentum of our activities across Goodman's key operating markets globally. This has enabled us to successfully complete major initiatives during the year and selectively undertake high quality projects in Goodman's core markets to grow our business and add value for all stakeholders.

The result we have delivered reflects the strength of Goodman's brand and leading position as one of the world's largest providers of prime industrial and business space. We have worked hard to build a specialist business of significant size and scale, with a quality product offering and proven capability which is able to service the diverse needs of our customers and secure attractive investment opportunities for our global capital partners. This gives Goodman a distinct competitive advantage and when combined with the global diversification of our business, which consists of an operating platform now spanning Australia, New Zealand, Asia, Europe and North and South America, we are uniquely positioned to drive the future growth of our business.

The global reach of Goodman's operating platform has seen the contribution of our international businesses grow to 48% of operating earnings during the year. A key advantage of the geographic diversification of our business is the significant scope it gives Goodman to access a broad range of opportunities due to the different timing of economic cycles, which in turn provides greater stability of earnings. This is a real point of differentiation, with the ongoing contribution from our international operations expected to grow even further over the medium-term, as the Group continues to build its capabilities in key logistics markets.

The underlying performance from Goodman's operations was a key strength of the 2013 financial year. Our experienced teams around the world focused on the quality execution of our day to day operational activities across all parts of the Goodman business. This was reflected during the period through the robust property fundamentals we experienced, our ability to capitalise on the undersupply of prime quality logistics space, and the significant growth in our development and management businesses.

Goodman continues to benefit from the high level of customer and investor demand for its development product. A major driver of our growing development activity is due to various structural changes taking place across the industrial sector globally, including the rapid growth in e-commerce, greater supply chain efficiencies and consolidation by third party logistics providers. Over the 12 month period, development activity in our Australian business remained strong with over \$850 million of new commitments secured. Our development activity continued to grow in China, with current development volume at approximately 600,000 sqm, reflecting the ongoing shortage of quality logistics space and the growing wealth of its population. In Europe, we retained our market leading position with solid activity levels, underpinned by robust demand, in particular from the e-commerce, third party logistics and automotive sectors, which has seen total assets under management across our European business increase to over \$5 billion.

Importantly, the Group focused on the measured and disciplined delivery of its initiatives and day to day operational activities. We have maintained our prudent development approach, ensuring that the majority of new projects have customer pre-commitments in place and are pre-sold to Goodman's managed funds or third parties. We entered the Brazilian logistics market during the period and strengthened our capital partner relationships, raising significant new third party capital across our managed fund platform. Through the efforts of our property teams, we delivered strong leasing results and ensured our customers received the highest standards of service, which was reflected in our high occupancy and customer retention levels.

Goodman delivered full year operating earnings of 32.4 cents per security, up 6% and operating profit of \$544 million, representing an increase of 17% compared with the same period last year, and ahead of our initial 2013 financial year targets.

For the full year, Goodman paid a total distribution and dividend of 19.4 cents per security, consisting of a 14.2 cents per security distribution from Goodman Industrial Trust and a 5.2 cents per security fully franked dividend from Goodman Limited.

A key achievement for the year was the further diversification of the Group's operating platform into South America. This was undertaken through Goodman's entry into Brazil, with the launch of a 50/50 joint venture with WTorre, one of Brazil's leading developers of industrial warehouses and logistics facilities. The joint venture, WTGoodman, provides Goodman with a strategic foothold in a market that exhibits attractive conditions for industrial property groups, including low vacancy rates, an undersupply of prime logistics space, ongoing limited supply of capital and a population of over 195 million, with a growing middle class.

WTorre's leading market position and proven development capability in Brazil, combined with Goodman's global customer and capital partner relationships and fund management expertise, have seen WTGoodman implement a development led investment strategy with the objective of matching completed developments to demand from Goodman's global capital partners. The joint venture commenced operations in October 2012 with a portfolio of development sites in São Paulo and Rio de Janeiro. Construction of a 56,000 sqm warehouse is already underway at one of the Rio de Janeiro sites, International Business Park, which represents phase one of a three phase development, that will eventually comprise almost 187,000 sqm of high quality logistics space.

The Group strengthened its global platform during the period by consolidating its interest in the Japan management platform to 100%. Obtaining full ownership of the Japan management company is consistent with our long-term commitment to Japan and the ongoing execution of our business strategy in that market. To highlight this, we established a new US\$1 billion development partnership with Abu Dhabi Investment Council

in September 2012, and are currently undertaking two prime quality, multi-customer developments in the Osaka Bay and Nagoya areas, capable of delivering over 180,000 sqm of new space. We are due to commence construction shortly on our two Tokyo Bay sites, which are expected to add a further 120,000 sqm of prime logistics space.

A further significant achievement and example of innovation for the year was our Goodman Hong Kong Logistics Fund's acquisition of a 25% (US\$450 million) ownership interest in ATL Logistics Centre Hong Kong (ATL), the world's largest logistics facility, and an ownership interest in CSX World Terminals Hong Kong. This was undertaken by forming a co-ownership agreement with DP World, one of the world's largest container terminal operators. The agreement has seen Goodman obtain 100% of the management rights for ATL, reflecting our property expertise, while DP World has retained management of the associated container terminal. The transaction strengthens Goodman's position as a leading player in the Greater China logistics property market, and as a result we now manage over 2.2 million sqm of gross lettable area in Greater China, with a value in excess of \$3 billion.

I would like to take this opportunity on behalf of the Board and executive management team to thank all of our people for their valued effort and commitment during the year, which has contributed to Goodman's strong operating performance and ensured we are well positioned to drive the future growth and success of our business.

Group operations

Operating EBIT for the year was \$609 million, an increase of 16% compared with the same period last year, and driven by the growth in the Group's development and management businesses. This is reflected in the composition of our earnings, with the contribution from these businesses increasing to 42%, while the contribution to earnings from Goodman's property investment activities was 58%. The continued strong growth in the Group's international operations, particularly in Asia and Europe, resulted in 48% of earnings being sourced outside Australia, with a 52% contribution to operating EBIT from Goodman's Australian business.

Further information on the Group's operations for the 2013 financial year is available on pages 6 to 8 of this Annual Report.

Capital management

Goodman maintained its commitment to a sound financial position and strong balance sheet during the year, through the successful completion of a number of initiatives. This included the Group's \$449 million equity raising from GMG Securityholders in the first half of the financial year, and the restructuring of the Group's \$327 million of Goodman PLUS hybrid securities.

We finished the 2013 financial year with gearing at 18.5%, compared with 23.9% as at 30 June 2012, and available liquidity of \$1.8 billion at year end. This provides us with sufficient funding to meet our debt maturities until the 2018 calendar year.

The ongoing delivery of Goodman's stated strategy of diversifying its debt funding sources and lengthening its maturity profile enabled us to complete the year with a weighted average debt maturity of 5.4 years. Our prudent capital management approach was demonstrated through our ongoing access to debt markets, procuring \$4.5 billion of bank facilities across the Group and our managed funds with an average term of 3.3 years. We were also active in the global debt capital markets during the full year period, with two of our managed funds, Goodman Australia Industrial Fund and Goodman European Logistics Fund, successfully completing issuances.

Outlook

Goodman has worked hard to maintain its position in the current operating environment as a global leader in the industrial property and business space sector. We have built a quality brand and reputation, with proven investment, development and management capability, global operating platform, and extensive customer and capital partner relationships.

This is providing Goodman with a strong competitive advantage and coupled with the global diversification of our business, quality product offering and the consistent and reliable execution of our day to day operational activities, is driving significant momentum across our business globally. In turn, we are uniquely positioned to capitalise on the high level of customer and investor demand for prime logistics space in our key operating markets, and the structural changes occurring across the industrial sector, to pursue opportunities and realise initiatives to drive the sustainable long-term growth of our business.

Goodman is committed to the prudent yet active execution of its business strategy. The strength and diversity of our global platform, growing contribution from our development and management activities, and active asset management capabilities ensures we are well positioned for the year ahead.

For the 2014 financial year, Goodman is forecasting a full year operating profit of \$594 million, equating to operating earnings per security of 34.3 cents, up 6% on the 2013 financial year. Goodman is also forecasting a distribution of 20.7 cents per security, an increase of 7% on the 2013 financial year.



Gregory Goodman
Group Chief Executive Officer

Group operations

Property investment

The value of Goodman's investment portfolio was \$5.2 billion at 30 June 2013, which is unchanged compared with the 2012 financial year. The portfolio consists of the Group's direct property investments, which are valued at \$2.1 billion and located in Australia, Europe and the United Kingdom, together with \$3.1 billion of cornerstone investments in its managed fund platform and other financial investments. Significantly, Goodman's investment portfolio gives it an ownership interest in 415 high quality industrial and business space properties in 18 countries around the world.

While the value of Goodman's investment portfolio remained constant for the period, its composition changed, reflecting an increase in our cornerstone investments through the growth in our third party assets under management. This was partially offset by the sell down of the Group's holding in Goodman Australia Industrial Fund and the sale of investment properties.

The robust property fundamentals experienced during the period ensured the Group's overall investment portfolio performed well. Our customer focused approach, size and scale of our quality portfolio, active asset management and diverse global operating platform are key components of Goodman's business. They ensured we were able to meet the needs of our customers and continued to benefit from the significant global demand for quality industrial property and business space experienced during the year. This was reflected in the 2.9 million sqm of space that Goodman leased, equating to \$270 million of net property income. Occupancy levels were maintained at a high 96% and we achieved like for like rental growth of 2.6%.

Goodman's active asset management approach means that we continually review our properties and assess opportunities to reposition assets to achieve better performance. This includes the adaptive reuse of older style industrial properties, and pursuing higher and better use opportunities. During the year, we also recycled a number of properties owned by the Group and our managed funds. These sales, coupled with the sell down of the Group's fund cornerstone investments, have provided net proceeds of \$1.8 billion for reinvestment in new growth opportunities across our business.

Property development

Goodman's development activities continued to grow strongly. With our specialist capability, infrastructure and people in place, we have been well positioned to capitalise on the opportunities generated by high levels of customer and investor demand for Goodman's development product across all of our operating markets. The undersupply of prime quality industrial space and the structural changes taking place globally are key growth drivers of our development business. They have enabled Goodman to enhance its overall market position during the year and remain one of the largest developers of industrial property in the world. We finished the year having secured \$2.2 billion of new development commitments across 69 projects in 11 countries, with a forecast yield on cost of 8.7%. An overall leasing pre-commitment of 72% was achieved, with an average lease term of 6.8 years. A high 91% of these new developments commitments are either pre-sold to, or pre-funded by, Goodman's managed funds or third parties, demonstrating our ongoing focus on maintaining a low risk development approach.

Commenced developments include:

- + a 133,997 sqm logistics centre in Moenchengladbach, Germany for e-retailer, Zalando, which is being constructed in two phases;
- + also in Germany, a 95,545 sqm built-to-suit facility in Leipzig for third party logistics provider, DB Schenker, on behalf of its customer, BMW;
- + a 51,355 sqm multi-customer logistics and distribution facility in Nagoya, Japan;
- + in Tianjin, China, a 101,748 sqm built-to-suit warehouse and distribution centre for leading e-retailer, Vipshop;
- + an 87,779 sqm logistics centre for e-commerce provider, Amazon in Lauwin-Planque, France;
- + a 53,305 sqm warehouse and distribution facility in Western Sydney for transport distribution company, Toll IPEC;
- + also in Western Sydney, a 43,150 sqm distribution centre for retail hardware chain, Bunnings; and
- + in the United Kingdom, a 10,223 sqm warehouse development for Kent County Council.

The strong global demand for prime quality industrial space has driven the growth of Goodman's development work in progress to \$2.3 billion, compared with \$1.9 billion for the same period last year. This reflects the benefits of our globally diversified platform, with developments underway across all of our regions, including our recently entered markets of North and South America. The 69 projects we are currently undertaking around the world equate to 1.9 million sqm of new logistics and business space, with 92% being undertaken on behalf of our managed funds or third parties and 72% currently pre-committed.

Goodman delivered almost 1.2 million sqm of new space across 66 projects globally during the year. Developments completed during the 2013 financial year include:

- + two facilities of 112,597 sqm each at Pforzheim and Koblenz in Germany on behalf of Amazon;
- + a 62,494 sqm turnkey facility in Belgium for global provider of hand tools, power tools and related accessories, Stanley Black & Decker;
- + in Brisbane, a 51,725 sqm warehouse and office facility for discount retailer, Kmart;
- + phase one of Goodman Pudong International Airport Logistics Park in China, comprising 43,038 sqm of gross lettable area, with customers including leading international logistics provider, Kuehne + Nagel, and luxury goods group, Richemont;
- + a 28,589 sqm warehouse redevelopment in Sydney for third party logistics provider, DHL Global Forwarding;
- + in Poland, a 28,117 sqm distribution and processing centre for discount fashion retailer, TJX Europe;
- + a 21,524 sqm distribution hub in the United Kingdom for PCL Logistics on behalf of their customer, milk and dairy producer, Arla Foods; and
- + in New Zealand, a 17,150 sqm warehouse for Frucor Beverages.

The acquisition and replenishment of Goodman's controlled land inventory continued to be a focus during the period, predominantly in North America, China and Japan. This will ensure that we remain appropriately positioned to capitalise on the opportunities available across all of Goodman's operating markets stemming from the strong customer and investor demand for high quality industrial assets, while facilitating the ongoing rollout of our development pipeline. As a result, 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

Through the hard work of Goodman's Property Services teams around the world, we were able to consistently deliver the highest standards of service to our more than 1,550 customers, while maintaining the quality and ensuring the efficient operation and performance of our 415 industrial and business space properties globally. Our teams are responsible for managing 16 million sqm of business space, equivalent to \$23 billion of total assets under management.

The efforts of our Property Services teams during the year have focused on managing the day to day relationships with our global customer base, identifying opportunities to add value to their changing business needs and through active asset management, seek to lengthen the life cycle and overall demand for Goodman's properties. The team's success over the year is demonstrated through the quality leasing results achieved, with 2.9 million sqm of space leased across our industrial property and business space portfolio, and a high 96% occupancy rate maintained.

A total of 291 new leases were completed by Goodman's teams for existing and new customers in our property portfolios globally, with a total of 365 leases renewed on behalf of our existing customers, achieving customer retention of 77%. Significantly, we welcomed a number of new customers during the year and built on our relationships with existing customers, including Kuehne + Nagel, Deutsche Post (DHL), Nippon Express, Toll Group, Amazon, IKEA, Nestlé, Chanel, Equinix, Continental and BMW.

Group operations

Continued

Fund management

Goodman continued to build on the strength of its capital partner relationships in the 2013 financial year, growing its third party assets under management strongly to \$19.5 billion, compared with \$16.1 billion for the same period last year. This represents a 21% increase, reflecting the significant transactional activity undertaken during the year, together with the completion of a broad range of initiatives, which has resulted in exceptionally strong equity inflows from existing and new global investor groups across our managed fund platform. We completed the year having successfully raised \$2.8 billion of new third party equity from existing and new investors. Global capital partners are attracted to Goodman's leading global fund management platform and specialist industrial product offering, combined with the alignment of investors' interests through Goodman's contemporary fund management and independent governance structures. Our funds also completed a number of initiatives to further diversify debt funding sources and lengthen debt maturity profiles. At year end, Goodman's managed funds had \$3.8 billion of undrawn debt and equity available, providing them with the momentum and capacity to participate in development and investment opportunities from the Group and broader market.

Goodman North America Partnership (GNAP) secured equity of US\$890 million from the Group and Canada Pension Plan Investment Board (CPPIB) on a 55/45 basis in line with GNAP's investment strategy to target investments in key North American industrial and logistics markets, with an initial focus on development led opportunities. Separately, CPPIB and Goodman also increased their equity commitment to Goodman China Logistics Holding (GCLH) by an additional US\$500 million to US\$1 billion on an 80/20 basis, with both parties contributing a further US\$500 million post 30 June 2013 on the same basis, reflecting the pace of growth in the joint venture's activities in China, and taking the total equity commitment in GCLH to US\$1.5 billion.

In Japan, we established a US\$1 billion development partnership on a 50/50 basis with Abu Dhabi Investment Council, called Goodman Japan Development Partnership. A successful equity raising was also completed for the Goodman Japan Core Fund, securing US\$260 million of equity commitments from global investor groups.

Goodman Australia Industrial Fund (GAIF) completed its equity raising, with total demand of over \$1 billion of new gross equity commitments secured from new and existing investors. GAIF also completed two separate portfolio transactions during the year, acquiring 10 assets valued at \$200 million, and announced the extension of its fund term to 2019. In the debt capital markets, GAIF completed its second US\$185 million US private placement of unsecured notes with 7, 10 and 12 year maturities, and a \$200 million domestic medium-term note issue on a five year term.

Goodman expanded its relationship with Malaysia's Employees Provident Fund, with KWASA-Goodman Industrial Trust (KGIT) acquiring a second portfolio valued at \$300 million, consisting of three logistics assets sourced from the Group and its managed funds. The transaction increased KGIT's total assets to in excess of \$780 million.

Goodman Hong Kong Logistics Fund (GHKLF) completed the strategic acquisition of ATL Logistics Centre Hong Kong, which was partially funded by a fully subscribed US\$300 million equity raising. GHKLF also finalised an extension of its fund term for a further seven years to 2020.

In Europe, Goodman European Logistics Fund (GELF) priced its inaugural €500 million, five year Eurobond issue, with credit ratings agency, Standard & Poor's separately upgrading GELF's corporate credit rating, post 30 June 2013, to BBB from BBB-.

Goodman Property Trust (GMT) in New Zealand completed capital initiatives during the year which provided over NZ\$235 million of new equity, partially funding the acquisition of GMT's outstanding 50% interest in Highbrook Business Park. GMT also undertook a number of debt restructuring and refinancing initiatives, amalgamating three separate bank facilities into a single NZ\$600 million facility on competitive margins and terms.

Corporate governance

Goodman is committed to the highest standards of corporate governance and recognises that an effective corporate governance culture is critical to the long-term performance of the business.

As an Australian Securities Exchange (ASX) listed entity, Goodman is required to meet the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) or disclose any differences. 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) for the 2013 financial year. Any departures are described in the corporate governance statement below.

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

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STRUCTURE

In February 2005, Goodman Limited (GL) and Goodman Industrial Trust (Trust) were stapled together to form Goodman, which is listed on the 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.

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 Boards

The Boards of Goodman Group consist of the boards of GL and Goodman Funds Management Limited (GFM), as the responsible entity for the Trust, which meet jointly and comprise the same Directors, and the Board of GLHK.

GLHK is a separate legal entity and is managed by a separate board of directors, which partially overlaps with the GL/GFM Board. GLHK is a Hong Kong tax resident and the GLHK Board must be comprised of at least 50% Hong Kong residents.

The term "Boards" hereafter is as a reference to the boards of GL and GFM as responsible entity of the Trust and the Board of GLHK. The Boards of GL and GFM are comprised of 11 Directors, seven of whom are independent, and are chaired by Mr Ian Ferrier, AM. The Board of GLHK is comprised of four Directors, two of whom are independent and is also chaired by Mr Ian Ferrier, AM.

The GL/GFM Board and 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) and GLHK is also subject to the ASX Listing Rules and the Australian Corporations 2001 Act requirements for registered foreign companies.

The Boards and their committees will continue to have oversight of the Group's business, operations and compliance. The GLHK Board is responsible for the preparation of GLHK stand-alone accounts, the determination of dividends out of GLHK and any other non-delegable acts.

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 Boards and enables them to bring critical judgement and independent assessment to the oversight of Goodman's business. The Boards are responsible for all aspects of the management of Goodman and have ultimate responsibility for its corporate governance practices.

The Boards, through their delegation to the Remuneration and Nomination Committee, actively consider the appropriate size, composition and experience of the Boards to respond to changing circumstances in their membership, the business and its strategy, and the markets in which it operates. The Boards seek to ensure that they have 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.

In January 2013, the Boards of GL and GFM were further strengthened by the appointment of three senior executives, Mr Anthony Rozic (Deputy Chief Executive Officer), Mr Danny Peeters (Executive Director, Continental Europe and Brazil) and Mr Philip Pearce (Managing Director, Greater China) as Directors of GL and GFM. Mr Pearce was already a Director of GLHK.

The roles, responsibilities and operation of the Boards of Goodman and their delegation of authority to management are set out in the Board Charter which was updated in August 2013 and adopted by GL, GFM and GLHK. The charter clearly establishes the role of the Boards in setting Goodman's objectives and their responsibilities in the implementation of such objectives. A copy of the charter is published on Goodman's website at www.goodman.com.

Corporate governance

Continued

The Boards have the power to do all things necessary to perform their duties and fulfil their purpose including to:

- (i) set strategic direction for the Goodman business;
- (ii) approve strategic alliances;
- (iii) review progress against strategy;
- (iv) approve principles, policies, strategies, processes and control frameworks for the management of Goodman's business; and
- (v) sub-delegate their powers and discretions to Committees of the Boards, executives of Goodman, or management committees with or without the power to delegate further.

The Boards have developed a statement of delegated authority to management. This delegated authority stipulates those matters to be dealt with by the Boards 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 GL/GFM Boards and the GLHK Board as at 30 June 2013 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.

GL/GFM Board

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 Jim Sloman, OAM	Independent Director
Mr Anthony Rozic	Executive Director
Mr Danny Peeters	Executive Director
Mr Philip Pearce	Executive Director

GLHK Board

Mr Ian Ferrier, AM	Independent Chairman
Mr Gregory Goodman	Group Chief Executive Officer (Executive Director)
Mr Philip Fan	Independent Director
Mr Philip Pearce	Executive Director

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 49 and 50 in the Directors' report for the skills and experience of each Director.

In respect of tenure, all Directors of the GL/GFM Board and the GLHK Board other than the Group Chief Executive Officer (CEO) are subject to re-election by rotation at least every three years and new Directors appointed to the Boards 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 Non-Executive 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 Boards recognise the importance of independent decision-making by Directors and have 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 Boards.

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 Boards have 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 2013.

The Boards consider that a material professional adviser or material consultant is one that derives more than 5% of their revenue from Goodman. The Boards also consider that a substantial Securityholder, for the purpose of assessing independence, holds more than 5% 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, Mr Danny Peeters, Mr Anthony Rozic and Mr Philip Pearce are Executive Directors of Goodman. The table on page 10 sets out the Directors and their status.

Performance review

The Boards review their performance and that of their committees approximately every two years. The Boards consider 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 Boards over time. An assessment of the performance of the Boards, 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 Boards and management;
- + Board processes to monitor business performance and compliance, control risk and evaluate management;
- + Boards composition and structure; and
- + operation of the Boards including the conduct of Board and committee meetings.

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 of the GL Board on 28 November 2008 and Chairman on 28 July 2009. He was appointed Chairman of the GLHK Board on its establishment in 2012.

Ian is an Independent Director with in excess of 40 years of experience in company corporate recovery and turnaround practice.

In his role as Chairman, Ian is responsible for ensuring that the Boards function 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 Boards.

Corporate governance

Continued

Group Chief Executive Officer

The Group CEO is Mr Gregory Goodman. The terms, conditions and responsibilities of his role are established in an agreement with Goodman. Gregory's role as Group CEO is to support and encourage his management team to deliver the strategy developed by the Boards and management. His role involves an intimate knowledge of all aspects of the business and communication of the strategy and operational results to the Boards, 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 Boards on legal and governance issues. His biographical details appear on page 50 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 33 to 36 in the Directors' report.

The salary and/or fees of each Director and other key management personnel are disclosed on pages 42 to 47 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 Boards have the ultimate responsibility for risk management and compliance. Goodman operates within overall guidelines and specific parameters set by the Boards.

The Boards have established a number of committees to assist in the exercise of their functions and the discharge of their 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.

The Board of GLHK has reserved the right to make decisions in respect of any matters delegated to and considered by the committees (including the Audit Committee, the Risk and Compliance Committee and the Remuneration and Nomination Committee) and the committees will only make recommendations to the Board of GLHK.

A summary of the roles of the various committees is set out below.

Audit Committee

The Boards have established an Audit Committee, which meets at least four times a year, to assist in fulfilling the Boards' 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 Boards 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 senior executives, the 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 Boards 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 Boards, discuss its findings with the Committee including the adequacy of financial and accounting controls, and attend the AGMs 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, being Mr John Harkness (Chairman), Mr Ian Ferrier, Mr Phillip Pryke and Mr Philip Fan (from 10 August 2012).

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 Boards 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 Boards 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 Boards; 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 Boards have required that management design and implement a risk management and internal control system to manage Goodman's material business risks. The Boards have 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, being 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 Boards 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); 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.

Corporate governance

Continued

Consistent with Goodman's approach of transparent reporting to the Boards, 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 Boards and the Boards have formed the view that Goodman manages its risks effectively.

Remuneration and Nomination Committee

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

The purpose of the Committee is to:

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

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 Boards' policy is to review announcements on key transactions. In addition, the Boards 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 Boards and a record is made of where the announcement has been reviewed by the Boards 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 AGMs either in person or by proxy. The Boards regard the meetings as an excellent forum in which to discuss issues relevant to Goodman. The Boards 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 Boards have endorsed an updated 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;
- + maintain appropriate standards of workplace behaviour;
- + comply with the Group's Diversity Policy;
- + co-operate fully with any investigations relating to Goodman's policies;
- + comply with the Group's Securities Trading Policy;
- + 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, Group General Manager, Human Resources and/or local country head, if they have reason to suspect fraud, corrupt, criminal or unethical conduct by any Director or employee of Goodman; and
- + not make or accept 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.

Corporate governance

Continued

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 half year or annual 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 Boards.

Conflicts of interest

Goodman has a Conflicts of Interest Policy in accordance with 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 Australian Corporations Act 2001 and ASX Listing Rules.

Gifts

Goodman has a Gifts Policy setting out 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's Dealing with Public Officials Policy sets out 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.

Work Health and Safety (WH&S)

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 Boards. However, every employee is also required to comply with the WH&S 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.

Gender diversity strategy objectives

The Group's strategy is to enable all employees to reach their potential and many of its initiatives are targeted at employees below the executive levels. In particular, it is the objective of the Group's gender diversity strategy to increase the representation of female employees at senior levels.

The Group has reviewed the way it measures this representation, having regard also to changes in the organisational structure and presence in new markets, and has focused on the scope and content of roles in addition to the proximity to the CEO in reporting.

In reporting on the representation of female employees at the senior executive level, the Group also considers it appropriate to consider those female employees at the executive level. This group is a pool from which Goodman's senior executives would be selected in the absence of external appointments and is also indicative of the progress that is being made to increase gender diversity at the senior executive level. For the purposes of the Group's diversity strategy the following definitions are applied:

Level	Role characteristics	Target
Senior executive	Roles with highest complexity, leading a function, business unit or region across multiple geographies. High discretion and autonomy. Will manage a team of individuals with specific and distinct objectives. High commercial impact.	25–35%
Executive	Sub-regional business role or functional specialist with high complexity, risk profile and/or commercial outcomes. May have team management responsibility.	35–45%

The revised targets do not represent a departure in commitment from increased gender diversity from the proximity based measures that were previously used. The revised targets reflect the Group's aspiration to increase female employee representation within the specific career levels where possible. The Group's policy is to seek to meet these targets by 30 June 2015, though progress will depend on the general level of change at the senior executive and executive levels, the Group's growth and opportunities, and the skills and suitability of individuals to fill those opportunities, amongst other factors.

Policy implementation and initiatives

The Group strives to ensure that career advancement occurs at all levels, however considers that specific initiatives for female employees are required. This career advancement requirement is a consistent policy objective along with reducing the internal and external barriers to female workplace inclusion and participation.

The Group has also implemented several initiatives to advance the Group towards its objective.

These initiatives are:

- + Training based – through general and specific career coaching for groups and individuals to assist individuals to drive their own career development activities;
- + Mentoring based – providing specialised career advice and workplace mentoring for those employees identified as being high potential; and
- + Policy enhancements – review of specific policy items that could assist female employees to return to work after a period of maternity leave and to better balance the requirements of work and family on an ongoing basis or to reduce unlawful discrimination.

Further information on the range of activities that have been undertaken to support the Group in meeting its diversity objectives are described under the section “Corporate social responsibility – Diversity initiatives” on page 21.

Progress and reporting on diversity

On an overall basis, the gender representation of Goodman employees as at 30 June 2013 remained relatively unchanged at 54% male and 46% female.

Progress has been made at the senior executive level where in respect of 21 senior executives within the Group, 14% are female which is an increase on the prior year. In general, there are also higher levels of female employees in the pool from which executives are likely to be drawn. With regard to gender diversity of the Boards, two of the eleven directors (18%) are women.

Each of the documents referred to above is available to Securityholders on Goodman’s website at www.goodman.com.

Corporate responsibility and sustainability

SUSTAINABILITY

At Goodman, we recognise the value that an established Corporate Responsibility and Sustainability (CR&S) programme brings to our operations. It provides a structured approach to improving our long-term environmental, social and financial performance, and supports the sustainable growth of our business.

As one of the world's largest developers, managers and owners of logistics and business space, we understand how Goodman's operations contribute to the procurement, storage and distribution of goods globally. Overlaying our CR&S programme with Goodman's core operating activities, provides a practical framework for improving performance and considers the key priorities of the Group and our stakeholders.

Sustainability highlights for the 2013 financial year include:

- + publication of Goodman's first Global Reporting Initiative, CR&S Report;
- + submissions to the Global Real Estate Sustainability Benchmark for five separate Goodman wholesale funds;
- + certified green development projects in Australia, Hong Kong, Continental Europe and the United Kingdom (UK);
- + over 15 current developments in Germany seeking certification under the DGNB (German Sustainable Business Council) rating system; and
- + energy upgrade projects completed in Australia, Hong Kong, New Zealand and the UK.

Our CR&S programme

Goodman's CR&S programme aims to meet the priorities of our key stakeholders and is strategically aligned with the primary operating activities of Goodman's business, being property development, management, ownership and fund management.

Our CR&S strategy currently comprises of six programme areas:

- + sustainable development – working with our customers to evaluate and incorporate sustainable design initiatives into our developments;
- + asset management – prioritising efficient performance through our property management and investment approach;
- + engagement and reporting – communicating with our stakeholders and 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 performance – inspiring and challenging our people and supporting the communities in which we operate.

A focus on sustainable development

2013 was a busy year for our development teams globally, and it is pleasing to note that various green and sustainable design initiatives, considered optional in the past, are now standard in Goodman's minimum design specifications.

A number of Goodman's developments are for existing customers, who value operational performance and financial benefits over the long-term. We work closely with our customers to evaluate innovative features to improve the efficiency and operational performance of each development.

In a standard warehouse design, efficient lighting with sensor controls provides one of the simplest opportunities to reduce energy consumption. The majority of our industrial developments completed globally during the year incorporated efficient lighting, including T5 fluorescent lighting or cutting edge LED high bay lighting. Benefits include improved cost efficiencies for our customers, and lower energy consumption and carbon emissions.

Certification for our green developments remains a priority.

Our Australian developments team achieved 5 Star Green Star – Office Design v3 certification for Building B (Schneider), at Ferntree Business Park, and has a further three projects currently registered and progressing through the Green Star process. This follows Green Star certification being achieved for three separate developments in the 2012 financial year.

UK Business Parks (UKBP) completed several developments during the period including new facilities for British Gas at Oxford Business Park and PCL Logistics/Arla Foods at Hatfield Business Park. Consistent with our commitment to designing to a minimum standard of BREEAM "Very Good", both projects incorporated a range of sustainable design features. Highlights include a biomass boiler, LED lighting and a photovoltaic power system at the British Gas development, while PCL Logistics/Arla Foods includes an automated efficient lighting system, a solar water heating system and locally sourced concrete to minimise carbon emissions.

Corporate responsibility and sustainability

Continued

Across Continental Europe, our standard design specifications routinely incorporate sustainable design initiatives such as efficient lighting with occupancy sensors, increased insulation, maximised natural lighting and efficient heating systems. As a significant portion of Goodman's Continental European developments are located in Germany and certified to the DGNB green rating system, Goodman has established its DGNB Master Plan, which provides a projected DGNB performance rating for our standard specifications, expediting the DGNB process. In Germany alone, we currently have over 15 developments being assessed for a green rating under the DGNB certification process.

Our developments in Greater China incorporate various sustainable design initiatives such as maximising natural lighting and efficient lighting. Our developments in Greater China, including Goodman Interlink in Hong Kong and Goodman Beijing Airport Logistics Centre in China, have created benchmarks for Goodman's industrial developments in the region. Several of the sustainability initiatives designed into these assets have been replicated in more recent developments completed in Tianjin and Kunshan during the past year.

Managing the performance of our assets

Goodman is a long-term holder of the assets we develop or acquire. From an environmental and financial perspective, we aim to manage our assets efficiently and improve their performance, to lengthen their life cycle and increase overall demand, while reducing their environmental footprint. We believe this approach will enhance the long-term value of assets for Goodman, our customers and investors.

During the course of the 2013 reporting year, our Property Services teams completed various initiatives to enhance the performance of our assets across the globe.

In Australia, several energy upgrade projects aimed at improving the sustainability performance of our assets were completed. These included seven separate lighting upgrade projects, predominantly focused on reducing power consumption of lighting in car parks, by replacing existing lighting with efficient T5 fluorescent lighting with occupancy sensors. We also completed several mechanical and electrical upgrades aimed at improving building performance and reducing energy consumption. These included initiatives such as major cooling and ventilation upgrades, installation of variable speed drives, and the upgrade of building controls.

For our Hong Kong portfolio, promoting energy awareness among our on-site management teams, contractors and customers has been a priority over the past year, with a particular focus on on-site energy monitoring and the performance of lighting systems. This follows a series of LED and T5 fluorescent lighting replacements undertaken during the previous year. Opportunities for more energy and water efficient options are factored into all of our building refurbishment upgrades.

Our New Zealand operations implemented the Smart Power system during the year, which provides a detailed energy and carbon reporting solution, enabling the tracking of performance against targets. A number of energy focused projects were also completed, relating to BMS upgrades and the re-tuning of HVAC systems. Separately, Goodman is part of the NABERS NZ stakeholder group, which is preparing for the introduction of the programme into the New Zealand market.

Across our Continental European operations, results from Goodman's internal sustainability rating tool developed and rolled out during 2011 and 2012 have been included in our current capital expenditure planning. The objective is to enhance the sustainability and technical performance of our assets via the prudent investment in upgrade projects across the portfolio. The primary projects relate to heating, cooling, insulation, lighting, and building monitoring and controls. Lighting upgrades continue to provide attractive savings, and our team in Continental Europe have developed a lighting calculator to assess the feasibility for upgrading existing lighting to efficient T5 fluorescent and LED alternatives.

In the UK, our Property Services teams continue to drive efficiencies through building management and upgrade projects across the UKBP portfolio. The major energy improvement project at UKBP's Apollo Court building at Hatfield delivered energy reductions of 8% in the first half of the 2013 calendar year, when compared with the same period last year, and 31% compared to the base year of 2011. Initiatives included voltage optimisation, building and HVAC controls, atrium vent controls and the installation of a solar film to reduce solar gain through windows.

Australian greenhouse gas emissions

Greenhouse gas emissions (GHG) in Goodman's Australian operations for the 2013 financial year have been calculated as 44,818 tCO₂-e. This represents an approximate 7% decrease in our absolute emissions for the period, primarily due to the continued focus on energy efficiency, sub-metering across the stabilised portfolio, and the results of energy improvement projects.

Our GHG calculation includes scope one and two emissions generated from Goodman's Australian property and building management services, including assets owned directly by Goodman and those within our Australian managed funds. Where sub-metering allows, it does not include the GHG emissions of our customers.

Space to Work

To enhance collaboration and employee engagement across Goodman's teams and offices, Goodman has introduced the Activity Based Working concept in many of our offices globally, including Sydney, Melbourne, Shanghai, Brussels and Los Angeles. We have named our working model 'Space to Work', which provides an evolving, inspiring and flexible working environment tailored to suit the operations of Goodman's businesses and our staff. Employees are able to choose the work space that best fits the specific activity they are performing, with a variety of settings and technical equipment designed to facilitate the sharing of knowledge and information.

During the conversion to our Space to Work model across our offices, energy efficiency remains a high priority in the design and operation of our leased space. The Sydney head office achieved a 5 star NABERS energy tenancy rating (6 stars is the most efficient) in 2012 and 5.5 star in July 2013, demonstrating 'excellent performance' in energy management.

DIVERSITY INITIATIVES

The Group's expanded geographical footprint gives rise to significant diversity considerations which relate to employees, customers and investors. The Group strives to ensure that interactions with key external stakeholders and employees reflect appropriate cultural sensitivities.

The Group's diversity strategy comprises various initiatives which are designed to enhance career development opportunities and reduce barriers to increased workplace participation for all employees. In particular, gender diversity has been a significant focus area for 2013.

The initiatives that occurred in 2013, or are ongoing in 2014 include:

- + The Future+Women programme which was again conducted in Australia in 2013, consisted of a series of workshops and sessions that are open to all female employees. The programme is externally facilitated and developed specifically to provide career and personal development strategies. The sessions follow a structured programme of learning designed to assist women to assess their strengths and weaknesses and devise strategies to manage these. In 2014, the programme will be expanded to also include content for employees identified as high potential.
- + In 2013, The Good+Future middle management development programme continued to provide managers (ie those within the executive level) with theoretical and practical instruction on team management, strategy development and personal presentation skills. The programme is open to all employees, and has been particularly well represented by high potential female employees. It has been a successful programme for Goodman by developing leadership skills and generating new ideas and plans with positive commercial outcomes for the business. The programme concludes with small groups presenting a strategy and business case for a new idea to senior executives.
- + On a specific needs basis, individual coaching opportunities have been provided for high potential females, where additional support, or out of business environment mentoring, is considered to be beneficial.
- + Several high potential female employees have participated in innovative leadership development programmes, such as the week-long Larapinta Trail programme, where participants undertake physical and mental challenges to test and develop aspects of leadership and self-reliance.
- + Group policies, such as the Group's Code of Conduct, were reviewed and upgraded in FY13 to reinforce the importance of diversity and inclusion in all workplaces around the world, and to ensure employees are aware that all forms of harassment and discrimination are prohibited. The Code of Conduct is a core compliance policy of the Group intended to build an inclusive workplace that values individual ideas and the diversity of our customer and investor base.
- + To assist employees in understanding the content of these policies, online learning modules have been launched on Goodman's internal learning platform, known as the Mint. This system has been enhanced since 2011 and will continue to be the Group's main method of online delivery and compliance based training. The benefits of this approach are considerable, and include the ability to measure usage rates, update content and present new ideas in a creative way with the aim of increasing understanding and compliance with key human resource policies.
- + Actions have been taken to improve interview and selection skills of hiring managers to ensure anti-discrimination laws are observed and that unconscious bias does not occur where possible.
- + Search firms engaged to find external candidates are required to provide short lists containing a majority of females, or justify why this it is not possible for a particular role.
- + Human resource policies applicable in particular regions such as Australia and New Zealand have been upgraded to increase understanding and to ensure continuing relevance with legislation. The Flexible Work Policy in Australia is an example, and in support of this in Australia, paid parental leave entitlements have been standardised to ensure ease of understanding and application. Coaching sessions are available for women returning from parental leave to help in the transition back to work, together with a specific programme that is open to employees on parental leave to remain in contact with the workplace whilst they are on leave.
- + The Group recognises that diversity is multi-faceted and accordingly has involvement in indigenous employment issues, and also considers how building and interior design aspects should reflect the needs of individuals with disabilities.

Information on the Group's support in the community and the affinity of this with diversity is outlined in the Goodman Foundation's activities on page 22.

Corporate responsibility and sustainability

Continued

GOODMAN FOUNDATION

Support in the community

The Goodman Foundation supports the underprivileged in our community as well as providing support 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 the 2013 financial year has resulted in the expansion of its activities into Continental Europe through the development of new partnerships with SOS Children's Villages in Belgium and France. Further expansion of this relationship is planned for Poland and Germany in the 2014 financial year.

The selected charities that Goodman supported during the 2013 financial year included:

- + OzHarvest
- + Good Beginnings Australia
- + Yalari
- + TNC Inc
- + MS Australia
- + NCIE (National Centre of Indigenous Excellence)
- + Property Industry Foundation (PIF)
- + Bread and Butter Project
- + COM4unity
- + Raise Foundation
- + Bestest Foundation
- + Books in Homes
- + House with No Steps
- + Alzheimer's Australia
- + Humpty Dumpty Foundation
- + Kookaburra Kids
- + Starlight Foundation
- + Australian Cancer Research Foundation
- + Clown Doctors
- + Black Dog Institute
- + Cancer Council Australia
- + The Smith Family
- + Fareshare
- + Red Cross Australia Disaster Appeals
- + Cerebral Palsy Alliance
- + Education Development Association (EDA)
- + Kids Under Cover
- + Cure Kids (New Zealand)
- + Duffy Books in Homes (New Zealand)
- + Benji's Centre (Hong Kong)
- + Wooden Spoon (UK)
- + SOS Children's Villages (Belgium and France)
- + Chinese Red Cross Foundation (China)
- + Fu Hong Society (Hong Kong)

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 Goodman teams around the world to actively participate in either fundraising events for a charity of their choice or in the provision of their time as a participant in Goodman's volunteering programme. Goodman provides support for this in the form of financial assistance and time off and/or by contributing to fundraising, event participation, charity appeals and awareness programmes.

Consolidated financial report for Goodman Limited

and its Controlled Entities the year ended 30 June 2013

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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 2013 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 Philip Pearce (Managing Director, Greater China)	1 January 2013
Mr Danny Peeters (Chief Executive Officer, Continental Europe)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Chief Executive Officer)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications and experience are set out on pages 49 to 50 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 50 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:

Director	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Mr Ian Ferrier	11	11	4	4	3	3	–	–
Mr Gregory Goodman	11	11	–	–	–	–	–	–
Mr Philip Fan ²	11	11	3	3	–	–	3	2
Mr John Harkness	11	11	4	4	–	–	4	4
Ms Anne Keating	11	10	–	–	3	3	4	4
Ms Rebecca McGrath ³	11	11	–	–	2	2	3	3
Mr Philip Pearce ⁴	5	4	–	–	–	–	–	–
Mr Danny Peeters ⁴	5	4	–	–	–	–	–	–
Mr Phillip Pryke	11	11	4	4	3	3	–	–
Mr Anthony Rozic ⁴	5	5	–	–	–	–	–	–
Mr Jim Sloman ⁵	11	10	–	–	2	1	4	4

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 was appointed to the Audit Committee and Risk and Compliance Committee on 10 August 2012.

3. Ms Rebecca McGrath was appointed to the Risk and Compliance Committee on 10 August 2012.

4. Mr Philip Pearce, Mr Danny Peeters and Mr Anthony Rozic were appointed as Directors on 1 January 2013.

5. Mr Jim Sloman was appointed to the Remuneration and Nomination Committee on 10 August 2012.

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, United Kingdom and the Americas.

Stapling of Goodman Logistics (HK) Limited

On 22 August 2012, Goodman completed the implementation of the internal restructure of the Consolidated Entity to add Goodman Logistics (HK) Limited to the existing Goodman stapled entities that was approved at the last annual general meeting. Securityholders with a Goodman stapled security now hold a CHES Depositary Interest over an ordinary share in Goodman Logistics (HK) Limited, stapled to an ordinary share in Goodman Limited and a unit in Goodman Industrial Trust.

Operating and financial review

Overview of statutory results

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

	Consolidated	
	2013	2012
Revenue and other income before fair value adjustments on investment properties (\$M)	1,112.9	884.3
Fair value adjustments on investment properties including share of the adjustments for associates and joint venture entities (\$M)	32.0	60.2
Revenue and other income (\$M)	1,144.9	944.5
Profit attributable to Securityholders (\$M)	161.0	408.3
Total comprehensive income attributable to Securityholders (\$M)	437.9	387.7
Basic profit per security (¢)	9.6	27.0
Dividends and distributions in relation to the financial year (\$M) ¹	332.3	283.1
Weighted average number of securities on issue (M)	1,671.8	1,510.2
Total equity attributable to Securityholders (\$M)	5,504.2	4,855.8
Number of securities on issue (M)	1,713.2	1,605.1
Net tangible assets per security (\$) ²	2.69	2.54
Net assets per security (\$) ²	3.21	3.03
Gearing (%) ³	18.5	23.9

1. Amount includes a fully franked dividend of \$88.7 million declared by the Company on 15 August 2013.

2. Net tangible assets and net assets per security are stated after deducting amounts due to other non-controlling interests.

3. Gearing is calculated as total interest bearing liabilities less cash and derivative financial instruments divided by total assets less cash and derivative financial instruments.

Directors' report

Continued

Reconciliation of operating profit to profit attributable to Securityholders

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 and costs related to strategic initiatives).

This summarised reconciliation is as follows:

	Consolidated	
	2013 \$M	2012 \$M
Operating profit	544.1	463.4
Adjustments for:		
Property valuation losses	(36.7)	(6.6)
Non-property related impairment losses	–	(21.5)
Derivative and foreign currency mark to market movements	(293.0)	5.1
Other non-cash or non-recurring losses	(53.4)	(32.1)
Profit attributable to Securityholders	161.0	408.3

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

	Note	Consolidated	
		2013 \$M	2012 \$M
Operating profit		544.1	463.4
Valuation adjustments			
– Net gain from fair value adjustments on investment properties	11	28.0	6.5
– Deferred tax on fair value adjustments on investment properties		(3.3)	1.2
– Share of net gain from fair value adjustments attributable to investment properties in associates and joint venture entities	5	4.0	53.7
– Impairment losses	5	(65.4)	(89.5)
– Fair value movements on derivative financial instruments ¹	5	(208.4)	125.5
– Share of fair value movements on interest rate swaps in associates and joint ventures	5	(19.3)	(63.9)
– Unrealised foreign exchange movements	5	(65.3)	(56.5)
Other adjustments			
– Share based payments expense	5	(26.4)	(24.4)
– Capital profit/(loss) not distributed		0.4	(7.5)
– Straight lining of rent		1.3	2.7
– Transaction related costs for strategic initiatives		(18.9)	(2.9)
– Restructuring costs	5	(9.8)	–
Profit attributable to Securityholders		161.0	408.3

1. Includes non-cash amount of \$0.9 million relating to unwind of a discount on deferred consideration.

Operational performance

The discussion of performance in the following section considers Goodman's operating profit. Operating profit comprises profit attributable to Securityholders adjusted for property valuations, non-property impairment losses, derivative and foreign currency mark to market movements and other non-cash or non-recurring items. 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 Consolidated Entity.

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

	Consolidated	
	2013 \$M	2012 \$M
Analysis of operating profit		
Investment	383.1	352.5
Development	165.8	139.8
Management	108.6	79.3
Unallocated operating expenses	(48.5)	(44.7)
Operating profit before interest and tax	609.0	526.9
Net finance expense ¹	(30.0)	(10.4)
Income tax expense ²	(12.6)	(10.9)
	566.4	505.6
Less: Attributable to non-controlling interests	(22.3)	(42.2)
Operating profit	544.1	463.4
Operating profit per security ³	32.4	30.5
Interest cover ⁴	5.0	5.5

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

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

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

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

Review of the operational performance

Goodman reported an operating profit of \$544.1 million for the financial year ended 30 June 2013, representing a 17% increase on the prior financial year. This equates to operating EPS of 32.4 cents, which is up 6% compared with the year ended 30 June 2012.

Goodman's statutory profit attributable to Securityholders for the current financial year was \$161.0 million. This includes a loss of \$293.0 million from the fair value movements on derivative financial instruments and unrealised foreign exchange movements on interest bearing liabilities which is offset in the consolidated statement of comprehensive income by \$268.7 million of foreign currency translation differences for foreign operations booked in reserves and not recognised in statutory profit attributable to Securityholders.

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

Directors' report

Continued

The total dividends and distributions in respect of the current financial year are 19.4 cents per stapled security. This includes a fully franked dividend of 5.2 cents per share declared by Goodman Limited on 15 August 2013. Goodman Industrial Trust declared and paid an interim distribution of 9.7 cents per security in respect of the six months ended 31 December 2012, and declared a final distribution of 4.5 cents per security in respect of the six months ended 30 June 2013. Total dividends and distributions per security are up 8% compared to the prior financial year or 1.4 cents per stapled security.

The increase in Goodman's operating EBIT reflects:

- + accelerating business activity across Goodman's key markets, reflecting the strong customer and investor demand for prime industrial and business space;
- + diversity of earnings provided by Goodman's global operating platform; and
- + focused execution of Goodman's day to day operational activities.

The Consolidated Entity achieved operating EBIT of \$609.0 million, a 16% increase compared with the prior financial year. In particular, this reflects the strong growth in Goodman's development and management businesses, contributing a combined 42% of operating EBIT before unallocated costs. The earnings composition was in line with the Consolidated Entity's expectations, with 58% contributed from investments, 25% from developments and 17% from management services. Although Goodman expanded its global footprint during the current financial year, earnings were driven by organic growth and increased scale from existing markets.

Investments

Investments contributed \$383.1 million of operating EBIT, a 9% increase compared with the prior financial year. The increase resulted from organic rental growth and increased investment in managed funds, in line with growth in the Consolidated Entity's assets under management.

Underlying property fundamentals were robust during the financial year, with overall occupancy at 30 June 2013 maintained at 96%, consistent with the prior year. The weighted average lease expiry across the investment portfolio was 4.7 years. Leasing activity undertaken across Goodman's portfolio during the financial year has resulted in 2.9 million square metres of industrial and business space being leased, achieving like-for-like net property income growth of 2.6%.

Goodman completed the sale of a number of properties held in its direct investment portfolio and investments in its managed funds for \$1.8 billion, taking advantage of asset recycling opportunities. The sale proceeds have in turn provided future capital for redeployment into new growth opportunities across Goodman's business.

Development

Developments contributed \$165.8 million of operating EBIT, a 19% increase compared with the prior financial year. The increase was in line with the growth in the Consolidated Entity's overall work book.

During the financial year, the Consolidated Entity secured \$2.2 billion of new development commitments across 69 projects in 11 countries, making it one of the largest industrial real estate developers globally. An overall leasing pre-commitment of 72% was achieved on new projects, with an average lease term of 6.8 years.

At 30 June 2013, Goodman's work in progress was \$2.3 billion, generating a yield on cost of 8.8%, and equating to 1.9 million square metres of new space.

Development demand remains strong, particularly in Continental Europe and Australia, with the Australian business commencing in excess of \$850 million of new commitments. Consistent with the Consolidated Entity's low risk approach, 92% of current developments are either pre-sold to, or pre-funded by, Goodman's managed funds or third parties.

Goodman's ability to finance and attract capital for development activities is a key point of differentiation for customers.

Management

Management activities contributed \$108.6 million of operating EBIT or a 37% increase compared with the prior financial year. Management earnings represented 17% of operating EBIT before unallocated costs and the increase was driven by the growth in assets under management and the significant transactional activity that has been undertaken across Goodman's fund management platform, particularly Asia.

Goodman had total assets under management of \$23.4 billion at 30 June 2013, a 15% increase compared to 30 June 2012. Third party assets under management increased to \$19.5 billion over the financial year, which is a 21% increase.

Goodman completed a number of major initiatives across its managed fund platform during the year, raising \$2.8 billion of new third party equity capital:

- + Goodman North America Partnership (GNAP) secured equity of US\$890 million from the Consolidated Entity together with Canada Pension Plan Investment Board (CPPIB) on a 55/45 basis;
- + in Japan, a US\$1 billion development partnership (Goodman Japan Development Partnership) was established with Abu Dhabi Investment Council, while the Goodman Japan Core Fund raised in excess of A\$260 million of external equity commitments;
- + Goodman Australia Industrial Fund (GAIF) finalised its equity raising from new and existing investors, with total demand of \$1 billion of new gross equity commitments secured. GAIF also acquired 10 assets during the first half of the financial year, valued at \$200 million in two separate transactions, and announced an extension of its fund term to 2019;
- + in Greater China, Goodman Hong Kong Logistics Fund (GHKLF) finalised an extension of its fund term for a further seven years to 2020 and completed an equity raising of US\$300 million fully subscribed to acquire an interest in the US\$1.8 billion ATL Logistics Centre in Hong Kong. Goodman and CPPIB also increased their equity commitment to Goodman China Logistics Holding Limited (GCLHL) by an additional US\$500 million to US\$1 billion, on a 20/80 basis; and
- + Goodman's relationship with Malaysia's Employees Provident Fund was also expanded with KWASA Goodman Industrial Trust (KGIT) acquiring a second Australian industrial portfolio valued at \$300 million.

During the year, the Consolidated Entity also acquired the remaining 50% of the Japan management and development business. The transaction will allow the Consolidated Entity to focus on the growth of the Japan division.

The completion of these fund initiatives reflects the focus by global investor groups on core, stable, and high yielding assets. Goodman's ability to attract third party capital into its managed fund platform has been a key driver of its success, and is underpinned by the contemporary fund management structures it has adopted to ensure the alignment of investors' interests.

Capital management

Goodman's commitment to maintaining a sound financial position was actively demonstrated during the year with the successful completion of the Consolidated Entity's \$449.1 million equity raising.

Gearing has reduced to 18.5% compared with 23.9% at 30 June 2012. Interest cover remains high at 5.0 times.

Available liquidity is currently \$1.8 billion and the Consolidated Entity has a weighted average debt maturity profile of over five years, with debt maturities fully covered to December 2018.

During the current financial year, Goodman continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets, procuring \$5.6 billion of debt facilities with an average term of 3.7 years across the Consolidated Entity and managed funds. Separately, Goodman successfully restructured its \$327.0 million of Goodman PLUS Trust hybrid securities.

Strategy and outlook

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

Directors' report

Continued

During the year, the Consolidated Entity completed a number of key transactions to further expand and strengthen Goodman's global operating platform including the consolidation of the Goodman Japan management platforms and the establishment of the WTGoodman joint venture in Brazil.

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

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

The Consolidated Entity believes that its ability to utilise capital in this way, coupled with the Consolidated Entity's ability to employ third party capital invested in Goodman managed funds, enables it to grow development and investment activity and earnings outside of the Consolidated Entity's traditional Australian markets. Through cornerstone investments in Goodman managed funds, the Consolidated Entity intends to align its interests with those of the funds' investors and believes that it is able to foster long-term relationships with the funds' investors. By attracting a group of key global investors, the Consolidated Entity aims to secure sources of funding for Goodman managed funds and 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 2014. Accordingly, Goodman is forecasting a full year operating profit of \$594 million, equating to an operating EPS of 34.3 cents, up 6% on the current financial year.

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

Dividends and distributions

The Company did not declare any dividends during the financial year ended 30 June 2013. On 15 August 2013, the Company declared a fully franked dividend of 5.2 cents per share amounting to \$88.7 million (2012: \$nil), which will be paid on 26 August 2013.

Distributions declared/announced by a controlled entity, Goodman Industrial Trust (GIT), directly to Securityholders during the financial year totalled 14.2 cents per security, amounting to \$243.7 million (2012: \$283.1 million).

Goodman Logistics (HK) Limited, a controlled entity of the Company, did not declare any dividends during the financial year ended 30 June 2013 and up to the date of this report (2012: \$nil).

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

	Distribution cpu	Total amount \$M	Date of payment
Dividends and distributions relating to the current financial year			
Interim:			
– Declared and paid by GIT	9.7	166.2	28 Feb 2013
Final:			
– Proposed by the Company (declared on 15 August 2013)	5.2	88.7	26 Aug 2013
– Declared and provided by GIT	4.5	77.5	26 Aug 2013
	19.4	332.4	
Dividends and distributions relating to the prior financial year			
Interim:			
– Declared and paid by GIT	9.0	138.6	28 Feb 2012
Final:			
– Declared and provided by GIT	9.0	144.5	27 Aug 2012
	18.0	283.1	

Distributions declared during the current financial year by Goodman PLUS Trust and CIC Hybrid Investment Sub-Trust, controlled entities of the Company, to holders of hybrid securities (non-controlling interests) were \$22.3 million (2012: \$21.5 million) and \$nil (2012: \$20.7 million) respectively.

Directors' interests

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

Directors	Direct securities	Indirect securities	Total securities	Number of performance rights
Non-Executive				
Mr Ian Ferrier	122,495	–	122,495	–
Mr Philip Fan	9,443	–	9,443	–
Mr John Harkness	79,974	–	79,974	–
Ms Anne Keating	–	64,033	64,033	–
Ms Rebecca McGrath	–	7,506	7,506	–
Mr Phillip Pryke	–	108,232	108,232	–
Mr Jim Sloman	70,830	–	70,830	–
Executive				
Mr Gregory Goodman	3,059	45,076,923	45,079,982	3,157,922
Mr Philip Pearce	37,127	–	37,127	804,638
Mr Danny Peeters	–	584,812	584,812	1,833,200
Mr Anthony Rozic	–	–	–	1,810,799

At 30 June 2013, Anthony Rozic held 1,000 units in hybrid securities issued by Goodman PLUS Trust. None of the other Directors held a relevant interest in the hybrid securities issued by Goodman PLUS Trust.

Directors' report

Continued

Performance rights granted to the Directors during the financial year

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

Directors	Number of performance rights granted
Gregory Goodman	927,152
Anthony Rozic	298,013
Philip Pearce	463,576
Danny Peeters	463,576

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

Securities issued on exercise of performance rights

During or since the end of the financial year, the Consolidated Entity issued 2,409,834 stapled securities as a result of the vesting of performance rights. The amount paid on exercise was \$nil.

Unissued securities under performance rights

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

Expiry date	Exercise price \$	Number of performance rights ¹	Performance hurdles ²
1 Sep 17	–	12,065,315	Relative TSR (25%) and operating EPS (75%)
1 Sep 16	–	10,679,864	Relative TSR (25%) and operating EPS (75%)
1 Sep 15	–	8,030,950	Relative TSR (25%) and operating EPS (75%)
1 Sep 14	–	5,605,583	Relative TSR (50%) and operating EPS (50%)

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

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

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

Directors' report

Remuneration report – audited

The remuneration report outlines the Board's remuneration policies for Directors, other 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 Directors and other 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.

The report is set out as follows:

1. Overview of remuneration policy
2. Goodman remuneration policies in detail
 - (a) Fixed remuneration
 - (b) Short-term incentive
 - (c) Long-term incentive
 - (d) Non-executive Director remuneration
3. Remuneration and Nomination Committee
4. Remuneration policies and financial performance
5. Discussion of 2013 remuneration outcomes
6. Other prescribed remuneration information

1 Overview of remuneration policy

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 development and management. 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 the principal components of executive remuneration. 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 (Committee) and the Board retain discretion on the final determination of STI awards in cases of exceptional individual or divisional performance, where the Consolidated Entity's financial metrics may not have been met. Conversely, awards may be withheld notwithstanding that targets may have been met (such as in the case of poor total Securityholder returns).
- + LTI in the form of performance rights are awarded under the Consolidated Entity's Long Term Incentive Plan (LTIP). The LTIP enhances alignment of the interests of employees and Securityholders through a relative TSR hurdle and a cumulative operating EPS hurdle both tested 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.

Directors' report

Remuneration report – audited

Continued

2 Goodman remuneration policies in detail

The design and introduction of competitive remuneration strategies that effectively motivate 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 within the strategic framework of 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 sustainably 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 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.

Under the Consolidated Entity's remuneration policy for key management personnel, there is an emphasis on performance-linked remuneration.

Employees are reviewed for eligibility to be awarded short-term and long-term performance-linked remuneration annually. Any STI awards should recognise performance against clearly outlined and measureable performance criteria. It is important to note that the Committee retains discretion to award performance-linked remuneration in consideration of multiple factors such as individual achievement against key performance indicators, Consolidated Entity or divisional results and general market conditions. 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.

(a) Fixed remuneration

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

As noted above, fixed remuneration is set at competitive levels for the market where the role is performed so as to attract and retain suitably qualified or experienced employees. Remuneration levels for senior employees are reviewed annually by the Committee, with recommendations by the Group Chief Executive Officer, through a process that considers individual, divisional and overall performance of the Consolidated Entity and remuneration movements in competitor companies and the wider market. 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.

(b) 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 bonus ranges for roles across the Consolidated Entity, referenced against market data for similar roles. The Committee also considers any material changes to the size and scale of the business and the dynamics of the particular markets in which the business operates.

Importantly, the accrual of a bonus pool is fundamentally dependent on meeting a target operating profit. 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 and other Executive Directors.

(c) Long-term incentive

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. All employees of Goodman are eligible to participate.

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

The Committee considers that performance rights are an effective equity incentive because the perceived value and incentive to the employee remain tangible over the term of the instrument, subject to meeting performance hurdles. This differs from options where there may be a loss of 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 of the greater value of performance rights compared to options when making awards of performance rights.

To ensure that there is an appropriate balance between alignment with Securityholders and possible dilution, the number of performance rights outstanding at any point in time will not exceed 5% of the outstanding equity interests on issue.

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

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

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, subject to market factors and conditions, security price increases. The importance of meeting targets is reflected in the all or nothing vesting outcomes but performance must be sustainable over the cumulative period. This is also aligned with the likely impact on Securityholder returns if Goodman's operating profit targets are not achieved.

The second performance hurdle which applies to 25% of each award is based on the relative TSR of the Consolidated Entity against that of other S&P/ASX 200 entities. This hurdle operates over a scale of outcomes such that where the Consolidated Entity's performance is:

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

The TSR hurdle aligns vesting outcomes for employees with the returns to Securityholders assessed against a comparator group. Partial vesting against this hurdle only commences once above-average returns are achieved. The Board considers that the S&P/ASX 200 index is 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. The Committee also considers that the Consolidated Entity competes for investment capital against this group.

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

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

Directors' report

Remuneration report – audited

Continued

(c) Long-term incentive continued

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

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.

(d) Non-Executive Director remuneration

The policy for remuneration of Non-Executive Directors is structured to ensure independence of judgement in acting in the best interests of Securityholders and the performance of their duties. Non-Executive Directors receive fixed fees for being on the Board and additional fees for membership of committees. All Non-Executive Directors must act as a member of at least one Board committee.

Remuneration is determined on the basis of benchmarking data from external advisers about fees paid to non-executive directors of comparable companies. In addition, total remuneration payable by the Consolidated Entity to all Non-Executive Directors in aggregate, must not exceed \$2.5 million per annum, being the amount approved by Securityholders at the 2006 Annual General Meeting.

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

3 Remuneration and Nomination Committee

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

The Committee meets as required to consider and recommend to the Board, the remuneration policy and the specific remuneration arrangements for Non-Executive Directors, the Group Chief Executive Officer, other key management personnel and senior executives. In addition, the Committee considers and is responsible for the oversight of remuneration aspects which have a bearing upon all employees across the Consolidated Entity, including STI, LTI, superannuation/pension entitlements and termination payments. The Committee is also responsible for certain other related human resources policies and in 2012 the Committee approved the Consolidated Entity's Diversity Strategy and oversaw a succession planning exercise for key operational roles.

During the current financial year, the Committee was expanded from three to five members with the appointment of Rebecca McGrath and Jim Sloman. At 30 June 2013, the members of the Committee were:

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

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

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

The Committee members' meeting attendance record is disclosed on page 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.

4 Remuneration policies and financial performance

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

The Consolidated Entity reported an operating profit for the current financial year of \$544.1 million, compared to the previous financial year of \$463.4 million, and the 2011 financial year of \$383.9 million.

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

		2013	2012	2011	2010	2009
TSR ¹	%	34.0	7.3	16.8	99.2	(86.0)
Operating EPS ²	cents	32.4	30.5	28.3	26.3	87.0

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

As can be seen from the table setting out 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 past four 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 remuneration, STI and LTI elements. In summary, in response to greater market uncertainty fixed costs have been kept as stable as reasonably possible, and STI has only been paid to senior executives when earnings targets have been met and Securityholders enjoyed positive returns.

Directors' report

Remuneration report – audited

Continued

Impact on fixed remuneration

The Consolidated Entity has responded to the challenging market conditions and increased market uncertainty by focusing on the fixed cost element in the business. Executive key management personnel and other senior executives have not had increases in fixed remuneration unless a significant change to their role and responsibilities has occurred.

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

Impact on STI

A key determinant of bonus pools for allocation to individuals during the period is the generation of operating profit to at least the target level. While operating profit is the key determinant, the Committee retains discretion to withhold STI as was the case in the 2009 financial year having regard to the negative 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

The testing period for the LTIP grant made in the 2010 financial year was 1 July 2009 to 30 June 2012. Over that period both the EPS and TSR hurdles were fully achieved and the first tranche of the performance rights vested in September 2012. Further tranches will vest in September 2013 and September 2014, subject to executives remaining employed by the Consolidated Entity.

LTIP grant for the 2011 financial year

As discussed above, 75% of the grant for the 2011 financial year was tested against an operating EPS hurdle and 25% against a relative TSR hurdle. The performance period for each hurdle was the three years from 1 July 2010 to 30 June 2013.

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

	Target cents	Actual cents
Financial year ended:		
30 June 2011	27.50	28.30
30 June 2012	30.00	30.50
30 June 2013	32.30	32.40
Cumulative total	89.80	91.20

As the three year operating EPS to 30 June 2013 was greater than the target operating EPS, 100% of the performance rights relating to the operating EPS tranche will vest in the period from September 2013 to September 2015, 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 2010 to 30 June 2013, the Consolidated Entity achieved a TSR of 21.0% per annum which placed it at the 78th percentile. This has resulted in the relative TSR performance hurdle being achieved, such that 100% will vest, subject to executives remaining employed by Goodman.

Accordingly, based on the achievement of the operating EPS and the relative TSR performance hurdles, 100% of the 2011 financial year grant of performance rights will vest into Goodman securities, and will be delivered to eligible employees in three tranches on an annual basis commencing from 2 September 2013. Employees must be employed on each of the three delivery dates in September 2013, 2014 and 2015 respectively to retain entitlement to the vested Goodman securities.

LTIP grant for the 2012 financial year

As discussed above, 75% of the 2012 financial year 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.

In respect of the operating EPS hurdle, the actual operating EPS over the first two financial years was a cumulative 62.9 cents per security and exceeded the target over that period of 62.3 cents per security. If the 2014 financial year target operating EPS of 34.3 cents per security is achieved, then the hurdle will be met.

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 2011 to 30 June 2013, the Consolidated Entity provided a TSR of 22.3% per annum which would place it at the 80th percentile. If this was the final assessment, it would result in 100% 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 comparator group over the three financial years ending on 30 June 2014.

LTIP grant for the 2013 financial year

As discussed above, 75% of the 2013 financial year 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 2012 to 30 June 2015.

In respect of the operating EPS tranche, for 2013 financial year the actual operating EPS was 32.4 cents against a target operating EPS of 32.3 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 34.3 cents per security for the 2014 financial year and the target to be set for the 2015 financial year.

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 2012 to 30 June 2013, the Consolidated Entity provided a TSR of 34.0% per annum which would place it at the 74th percentile. If this was the final assessment, it would result in 96% 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 the 2014 and 2014 financial years.

5 Discussion of 2013 remuneration outcomes

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

Reporting of remuneration for key management personnel in accordance with accounting standards is set out in the tables on page 42 for Non-Executive and Executive Directors and on page 44 for other key management personnel.

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

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 Brazil platform, represented an overall performance that exceeded the agreed key performance indicators.

Directors' report

Remuneration report – audited

Continued

A summary of the key operational achievements during the year ended 30 June 2013 is set out below:

Operational achievements (unaudited)

- + a 6% increase in Goodman's operating EPS from 30.5 cents per security to 32.4 cents per security;
- + the privatisation and consolidation of the Goodman Japan Limited platform;
- + expansion of the global platform into Brazil via the establishment of a 50/50 joint venture between Goodman and WTorre;
- + overall leasing occupancy rate of 96%;
- + like-for-like rental growth of 2.6%; and
- + development work in progress inventory of A\$2.3 billion.

Fund management achievements

- + raising of A\$2.8 billion of new third party equity capital across Goodman's managed fund platform;
- + establishment of the US\$890 million GNAP between Goodman and CPPIB;
- + establishment of Goodman Japan Development Partnership between Goodman and the Abu Dhabi Investment Council with an initial equity allocation of A\$500 million and potential to extend this to A\$1 billion of property;
- + completion of equity raisings for Goodman Japan Core Fund, securing in excess of A\$260 million of external equity commitments;
- + acquisition by KGIT of a second Australian logistics portfolio valued at A\$300 million;
- + completion of GAIF's equity raising with total demand of A\$1 billion of new gross equity commitments secured; and
- + securing an additional US\$500 million equity commitment to GCLHL, doubling the initial commitment.

Capital management achievements

- + raising of A\$5.6 billion in debt capital market and banking facilities across the Consolidated Entity and its managed funds;
- + completion of Goodman's A\$449.1 million equity raising; and
- + successful restructure of Goodman PLUS Trust hybrid securities.

As a result of meeting the key financial targets for the Consolidated Entity and other key performance indicators (including the achievements set out above), STI payments were awarded as disclosed in the tables on pages 42 and 44.

In addition, executives received an LTI award in October 2012 (or shortly thereafter where it was subject to Securityholder approval) in recognition of their performance in the 2012 financial year and as long-term remuneration for future performance. In accordance with accounting standards, the value of that award and prior year awards is the aggregate value attributed to performance rights based on the Consolidated Entity's accounting policy of amortising the value of the share based payment awards over the vesting periods.

The Board also intends to make an award of LTI with regard to the executives' performance in the 2013 financial year and as long-term remuneration for future performance. This is not reflected in the current year remuneration (as it was not awarded prior to 30 June 2013). Further information about these intended awards is set out on page 47.

During the current financial year, the Board has reassessed the relative composition of performance related remuneration included in each senior executive's total remuneration. As a result, it has determined that the composition of performance related remuneration should be amended to increase the relative proportion of LTI versus STI. The Board considers that this change further enhances alignment with the objectives of Securityholders

A review of the Group Chief Executive Officer's remuneration relative to the performance of the Consolidated Entity, including a discussion of the cash value of LTI received (as opposed to accounting value), is included on page 41.

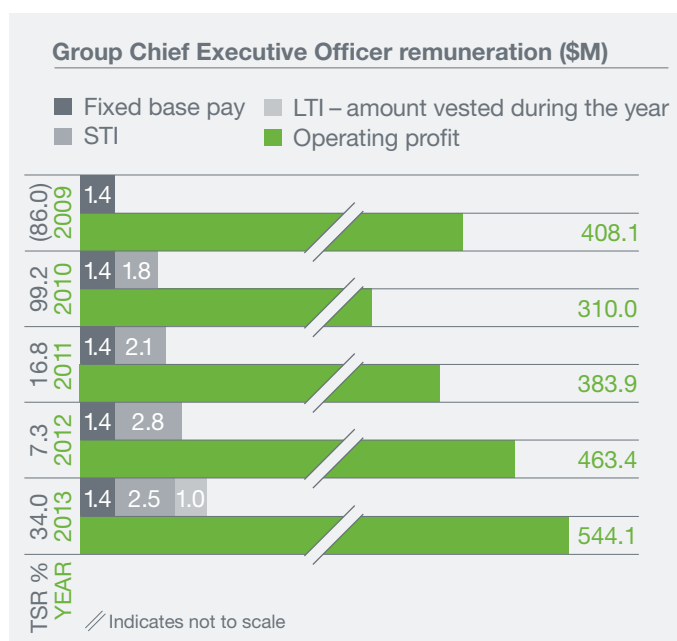
Group Chief Executive Officer effective remuneration

The graph below illustrates the correlation between the components of Group Chief Executives 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 five 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 five 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 vested.

In relation to the Group Chief Executive Officer's performance based remuneration, the Board has adjusted the balance between STI and LTI towards LTI in order to enhance alignment with Securityholders and long term objectives.

In the current financial year, the first tranche of the LTI award made in FY10 vested. This resulted in the Group Chief Executive Officer receiving the first tranche of 260,000 securities associated with this award, which based on a security price of A\$4.00 at the vesting date had a value of A\$1,040,000. As the FY10 award is not subject to further testing the second tranche of 260,000 securities will vest in September 2013 and the third tranche of 260,000 securities will vest in September 2014, subject to continued employment. The deferred vesting associated with the second and third tranches means that the Group Chief Executive Officer continues to be exposed to the Goodman security price until the vesting date.

The 2011 financial year LTI award will also vest during the year ending 30 June 2014 as a result of the operating EPS and the relative TSR hurdle being achieved. The vesting of these performance rights will occur equally over the next three years in September 2013, September 2014 and September 2015, subject to continued employment.



The total of the short-term remuneration awarded in the form of base pay and STI to Mr Gregory Goodman in respect of the current financial year was \$3.9 million (2012: \$4.2 million). In respect of the awards made under the LTIP, A\$1.0 million (2012: \$nil) vested to Mr Gregory Goodman during the current financial year.

Non-Executive Directors

As noted above, remuneration of Non-Executive Directors is determined on the basis of benchmarking data from external advisers about fees paid to non-executive directors of comparable companies and must be within the Securityholder approved pool of \$2.5 million per annum.

The base 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. For other Non-Executive Directors, fees for participation on Board committees were increased from 1 July 2011.

Non-Executive Directors' fees for the financial year were \$1.9 million (2012: \$1.6 million) which takes into account amounts paid for their participation on various Board committees, chairing of these committees and compulsory contributions to superannuation. The increase in Non-Executive Director fees compared to the prior financial year reflects the full year impact of the two new Non-Executive Directors who were appointed in the prior financial year and increased participation on Board committees.

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

Directors' report

Remuneration report – audited

Continued

Directors' remuneration

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

Directors		Short-term				Share based Long-term payments				Proportion of remuneration performance related	Value of performance right as proportion of remuneration
		Salary and fees ¹	Bonus ²	Other ³	Total	Post-employment superannuation benefits	Other ³	Performance rights ⁴	Total		
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non-Executive											
Mr Ian Ferrier	2013	483,530	–	–	483,530	16,470	–	–	500,000	–	–
	2012	484,225	–	–	484,225	15,775	–	–	500,000	–	–
Mr Philip Fan	2013	218,297	–	–	218,297	–	–	–	218,297	–	–
	2012	106,458	–	–	106,458	–	–	–	106,458	–	–
Mr John Harkness	2013	236,030	–	–	236,030	16,470	–	–	252,500	–	–
	2012	201,725	–	–	201,725	15,775	–	–	217,500	–	–
Ms Anne Keating	2013	206,030	–	–	206,030	16,470	–	–	222,500	–	–
	2012	181,725	–	–	181,725	15,775	–	–	197,500	–	–
Ms Rebecca McGrath	2013	201,900	–	–	201,900	16,397	–	–	218,297	–	–
	2012	41,020	–	–	41,020	3,881	–	–	44,901	–	–
Mr Phillip Pryke ⁵	2013	289,051	–	–	289,051	16,470	–	–	305,521	–	–
	2012	255,467	–	–	255,467	15,775	–	–	271,242	–	–
Mr Jim Sloman	2013	205,505	–	–	205,505	16,470	–	–	221,975	–	–
	2012	189,225	–	–	189,225	15,775	–	–	205,000	–	–
Executive											
Mr Gregory Goodman	2013	1,325,838	2,500,000	13,988	3,839,826	16,470	24,316	2,166,006	6,046,618	77.2	35.8
	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
Mr Philip Pearce	2013	565,064	1,300,000	–	1,865,064	1,883	–	564,523	2,431,470	76.7	23.2
	2012	572,317	1,600,000	–	2,172,317	1,527	–	493,460	2,667,304	78.5	18.5
Mr Anthony Rozic	2013	669,126	1,350,000	18,703	2,037,829	16,470	21,983	1,201,578	3,277,860	77.8	36.7
	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
		€	€	€	€	€	€	€	€		
Mr Danny Peeters ⁶	2013	546,275	950,000	–	1,496,275	–	–	966,867	2,463,142	77.8	39.3
	2012	523,531	1,072,500	–	1,596,031	–	–	993,225	2,589,256	79.8	38.4

Refer to the following page for explanatory footnotes.

Notes in relation to the table of Directors' remuneration

1. Salary and fees represents the amounts due to the Directors under the terms of their service agreements and does not reflect any salary sacrifice elections by the Directors. Salary and fees for the Non-Executive Directors include amounts payable for their participation on various Board committees. Salary and fees for the Executive Directors include movements in annual leave provisions during the financial year.
2. The bonuses awarded to the Executive Directors are in accordance with the bonus policy and based on both individual performance and the performance of the Consolidated Entity.
3. Other includes reportable fringe benefits, car parking and 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 2013.

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

Grant date	Expiry date	Fair value per performance right \$	Market price of security \$	Expected volatility %	Dividend/distribution yield per annum %	Average risk free interest rate per annum %
2013						
16 Nov 12	1 Sep 17	3.37	4.49	27.00	4.32	3.18
12 Oct 12	1 Sep 17	3.15	4.13	27.00	4.70	3.18
2012						
25 Nov 11	1 Sep 16	2.12	2.90	34.80	5.83	3.09
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

5. Salary and fees reported in the current financial year for Mr Phillip Pryke include an amount of A\$68,022 (NZ\$85,000) (2012: A\$66,241 (NZ\$85,000)) due in respect of his role on the board and audit committee of Goodman (NZ) Limited, the manager of Goodman Property Trust.
6. Mr Danny Peeters remuneration is disclosed in Euros as all his remuneration, with the exception of performance rights, is determined in Euros rather than Australian dollars. The value attributed to his performance rights is translated from Australian dollars to Euros at the weighted average rate for the current financial year of A\$/€0.7949 (2012: A\$/€0.7709).

Directors' report

Remuneration report – audited

Continued

Other key management persons' 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:

Other key management personnel – executives		Short-term				Post-employment superannuation benefits	Long-term		Share based payments		Proportion of remuneration performance related	Value of performance rights as proportion of remuneration
		Salary and fees ¹	Bonus ²	Other ³	Total		Other ³	Performance rights ⁴	Total			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Mr Nick Kurtis, Group Head of Equities	2013	715,218	1,350,000	18,703	2,083,921	16,470	(41,201)	1,201,578	3,260,768	78.3	36.8	
	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	
Mr Nick Vrontas, Chief Financial Officer	2013	587,233	1,150,000	17,135	1,754,368	16,470	14,828	889,862	2,675,528	76.2	33.3	
	2012	585,489	1,050,000	16,500	1,651,989	15,775	12,760	905,174	2,585,698	75.6	35.0	
Mr Jason Little, General Manager Australia	2013	423,067	900,000	635	1,323,702	16,470	10,401	512,516	1,863,089	75.8	27.5	
	2012	420,709	685,000	13,327	1,119,036	15,775	15,712	482,349	1,632,872	71.5	29.5	

Notes in relation to the table of other key management persons' remuneration

- Salary and fees includes movements in annual leave provisions during the financial year.
- Bonuses awarded to executives are in accordance with the bonus policy and based on individual performance of executives as well as the overall performance of the Consolidated Entity.
- Other includes reportable fringe benefits, car parking and per diem allowances and changes in long service leave balances.
- For the current and prior financial year, the value attributed to performance rights is based on the Consolidated Entity's accounting policy of amortising the value of the share based payment awards over the vesting periods, and therefore does not take into account awards made subsequent to the financial year end with respect to performance in the year ended 30 June 2013.
- For the current financial year, the following assumptions were used in determining the fair value of performance rights on grant date:

Grant date	Expiry date	Fair value per performance right	Market price of security	Expected volatility	Dividend/distribution yield per annum	Average risk free interest rate per annum
		\$	\$	%	%	%
2013						
12 Oct 12	1 Sep 17	3.15	4.13	27.00	4.70	3.18
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

6 Other prescribed remuneration information

Service agreements

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

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

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

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

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

Analysis of bonuses included in the remuneration

Details of the Consolidated Entity's policy in relation to the proportion of remuneration that is performance related is discussed on pages 34 to 36. No bonuses were forfeited during the financial year. Bonuses may not be paid in the event that an individual ceases employment through resignation.

Share based payments included as remuneration

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

Performance rights over Goodman stapled securities

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

	Number of performance rights granted	Grant date	Fair value per performance right ¹ \$	Expiry date	Number of performance rights vested
Executive Directors					
Mr Gregory Goodman	927,152	16 Nov 12	3.37	1 Sep 17	260,000
Mr Philip Pearce	298,013	16 Nov 12	3.37	1 Sep 17	76,389
Mr Danny Peeters	463,576	12 Oct 12	3.15	1 Sep 17	184,812
Mr Anthony Rozic	463,576	12 Oct 12	3.15	1 Sep 17	173,611
Executives					
Mr Nick Kurtis	463,576	12 Oct 12	3.15	1 Sep 17	173,611
Mr Nick Vrondas	397,351	12 Oct 12	3.15	1 Sep 17	138,889
Mr Jason Little	231,788	12 Oct 12	3.15	1 Sep 17	64,583

1. Fair value determined at the grant date.

Performance rights will expire on termination of the individual's employment (subject to special circumstances) and vesting is conditional on Goodman achieving certain performance hurdles (refer to page 35). For performance rights granted during the current financial year, the earliest vesting date is 1 September 2015.

Directors' report

Remuneration report – audited

Continued

Exercise of performance rights over Goodman stapled securities

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

Analysis of performance rights over Goodman stapled securities

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

	Number of performance rights granted	Date performance rights granted	% vested in the year	% forfeited	Financial years in which grant vests
Executive Directors					
Mr Gregory Goodman	927,152	16 Nov 12	–	–	2016 – 2018
	980,000	25 Nov 11	–	–	2015 – 2017
	730,770	1 Feb 11	–	–	2014 – 2016
Mr Philip Pearce	780,000	14 May 10	33	–	2013 – 2015
	298,013	16 Nov 12	–	–	2016 – 2018
	200,000	30 Sep 11	–	–	2015 – 2017
	153,847	1 Feb 11	–	–	2014 – 2016
Mr Danny Peeters	229,167	14 May 10	33	–	2013 – 2015
	463,576	12 Oct 12	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
Mr Anthony Rozic	554,436	14 May 10	33	–	2013 – 2015
	463,576	12 Oct 12	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
	520,834	14 May 10	33	–	2013 – 2015
Executives					
Mr Nick Kurtis	463,576	12 Oct 12	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
Mr Nick Vrondas	520,834	14 May 10	33	–	2013 – 2015
	397,351	12 Oct 12	–	–	2016 – 2018
	360,000	30 Sep 11	–	–	2015 – 2017
	293,700	1 Feb 11	–	–	2014 – 2016
Mr Jason Little	416,667	14 May 10	33	–	2013 – 2015
	231,788	12 Oct 12	–	–	2016 – 2018
	200,000	30 Sep 11	–	–	2015 – 2017
	200,000	1 Feb 11	–	–	2014 – 2016
	193,750	14 May 10	33	–	2013 – 2015

Modification of terms of equity settled share based payment transactions

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

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

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

	Value of performance rights issued in the year ¹	Value of performance rights exercised in the year ²	Value of performance rights lapsed in the year
Long Term Incentive Plan	\$	\$	\$
Executive Directors			
Mr Gregory Goodman	3,124,502	1,040,000	–
Mr Philip Pearce	1,004,304	305,556	–
Mr Danny Peeters	1,460,264	739,248	–
Mr Anthony Rozic	1,460,264	694,444	–
Executives			
Mr Nick Kurtis	1,460,264	694,444	–
Mr Nick Vrondas	1,251,656	555,556	–
Mr Jason Little	730,132	258,332	–

- 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/distribution 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.
- Value estimated using the closing price on the ASX of \$4.00 on the day the performance rights vested.

No performance rights provided under the LTIP have been granted since the end of the financial year, however, the Committee intends to make an award under the LTIP to eligible employees in the first quarter of the financial year ending 30 June 2014. The estimated number of performance rights to be awarded to each key management person is set out below:

	Estimated number of performance rights ¹
Executive Directors	
Mr Gregory Goodman	935,000
Mr Philip Pearce	390,000
Mr Danny Peeters	415,000
Mr Anthony Rozic	415,000
Executives	
Mr Nick Kurtis	415,000
Mr Nick Vrondas	390,000
Mr Jason Little	310,000

- 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.

Directors' report

Continued

Environmental regulations

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

Indemnification and insurance of officers and auditors

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	
	2013 \$000	2012 \$000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	1,145.9	1,154.2
– Audit and review of financial reports (overseas KPMG firms)	793.3	829.0
	1,939.2	1,983.2
Other regulatory services		
– Other regulatory services (KPMG Australia)	36.2	112.4
– Other regulatory services (overseas KPMG firms)	15.3	–
Other assurance services		
– Investigative accounting services (KPMG Australia)	177.1	495.2
– Investigative accounting services (overseas KPMG firms)	194.9	–
Taxation services		
– Taxation compliance services (KPMG Australia)	61.3	204.3
– Taxation compliance services (overseas KPMG firms)	86.4	124.5
– Other taxation advice (KPMG Australia)	151.8	105.3
– Other taxation advice (overseas KPMG firms)	322.2	138.4
	1,045.2	1,180.1
Total paid/payable to KPMG	2,984.4	3,163.3
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	197.5	42.1

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 in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of 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 company management, analysing those issues and implementing policies and strategies which lead to a success. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Mr Gregory Goodman – Group Chief Executive Officer

Appointed 7 August 1998

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

Mr Philip Fan – Independent Director

Appointed 1 December 2011

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

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

Mr John Harkness – Independent Director

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 Mertz 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), and GI Dynamics, Inc. (since June 2011). Anne was formerly a director of STW Communications Group Limited (from May 1995 to February 2011), ClearView Wealth Limited (November 2010 to October 2012) 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 C.I.M.B Australia, a Governor of the Cerebral Palsy Alliance Research Foundation and was, until May 2012, a trustee for the Centennial Park and Moore Park Trust. Her last executive position was as General Manager, Australia for United Airlines for nine years until 2001.

Ms Rebecca McGrath – Independent Director

Appointed 3 April 2012

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

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

Directors' report

Continued

Mr Philip Pearce – Managing Director, Greater China

Appointed 1 January 2013

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

Philip is a director of Goodman Logistics (HK) Limited (appointed in February 2012) and is also a director of a number of Goodman's controlled entities. Philip holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

Mr Danny Peeters – Executive Director, Continental Europe and Brazil

Appointed 1 January 2013

Danny oversees Goodman's European and Brazil operations and is responsible for the management, strategy and development of Goodman's property business. Danny has been with Goodman since 2006 and has 17 years of experience in the property and logistics sectors. Danny is a director of a number of Goodman's controlled entities and was responsible for establishing the Consolidated Entity's investment into Brazil.

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

Mr Phillip Pryke – Independent Director

Appointed 13 October 2010

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

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

Mr Anthony Rozic – Deputy Chief Executive Officer

Appointed 1 January 2013

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

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

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 was the Chief Executive Officer and a Director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. It, and he, advised on major events including the London 2012 Olympic Games and Rio de Janeiro 2016 Olympic Games. Jim is currently working as an advisor to the Qatar 2022 World Cup.

In addition, Jim is Chairman of Laing O'Rourke Australia Pty Limited and of several of its associated companies and a director of ISIS Holdings Pty Limited and of several of its associated companies. 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.

Company Secretary

Mr Carl Bicego – Company Secretary

Appointed 24 October 2006

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

Events subsequent to balance date

On 15 August 2013, the Company declared a dividend of 5.2 cents per share to be paid on 26 August 2013.

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

Declaration by the Group Chief Executive Officer and Chief Financial Officer

The Group Chief Executive Officer and Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Consolidated Entity for the year ended 30 June 2013 have been properly maintained and the financial report for the year ended 30 June 2013 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 52 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, 15 August 2013

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 2013 there have been:

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

A handwritten version of the KPMG logo, with the letters 'KPMG' written in a cursive, slightly slanted font.

KPMG

A handwritten signature in dark ink, appearing to read 'Stuart Marshall'.

Stuart Marshall
Partner

Sydney, 15 August 2013

Consolidated statement of financial position

as at 30 June 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Current assets			
Cash	26(a)	645.4	310.8
Receivables	8	338.7	164.3
Inventories	9	156.8	194.3
Current tax receivables	6(c)	3.0	0.1
Other assets	10	33.4	121.3
Total current assets		1,177.3	790.8
Non-current assets			
Receivables	8	309.3	364.4
Inventories	9	792.7	601.0
Other assets	10	21.1	67.5
Investment properties	11	2,405.9	2,674.5
Investments accounted for using the equity method	12	3,243.1	2,893.4
Deferred tax assets	6(d)	13.4	18.8
Other financial assets	13	15.7	13.6
Plant and equipment	14	20.8	12.7
Intangible assets	15	891.4	783.2
Total non-current assets		7,713.4	7,429.1
Total assets		8,890.7	8,219.9
Current liabilities			
Payables	16	271.0	259.5
Current tax payables	6(c)	39.0	29.9
Interest bearing liabilities	17	–	42.5
Employee benefits	18	52.9	44.4
Provisions	19	81.2	145.6
Total current liabilities		444.1	521.9
Non-current liabilities			
Payables	16	314.4	167.7
Interest bearing liabilities	17	2,249.8	2,305.0
Deferred tax liabilities	6(d)	6.5	6.3
Employee benefits	18	28.7	33.7
Provisions	19	11.5	10.7
Total non-current liabilities		2,610.9	2,523.4
Total liabilities		3,055.0	3,045.3
Net assets		5,835.7	5,174.6
Equity attributable to Goodman Limited (GL)			
Issued capital	20	457.0	413.1
Reserves	21	(249.0)	(344.6)
Retained earnings	22	9.3	8.9
Total equity attributable to GL		217.3	77.4
Equity attributable to Goodman Industrial Trust (GIT) (non-controlling interests)			
Issued capital	20	6,741.7	6,950.3
Reserves	21	(1,468.6)	(2,028.4)
Accumulated losses	22	(679.8)	(143.5)
Total equity attributable to GIT		4,593.3	4,778.4
Equity attributable to Goodman Logistics (HK) Limited (GLHK) (non-controlling interests)			
Issued capital	20	606.1	–
Reserves	21	63.1	–
Retained earnings	22	24.4	–
Total equity attributable to GLHK		693.6	–
Total equity attributable to Securityholders		5,504.2	4,855.8
Other non-controlling interests	23	331.5	318.8
Total equity		5,835.7	5,174.6

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 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Revenue			
Gross property income		219.6	235.7
Management income		181.0	139.2
Development income		200.0	216.7
Income from disposal of inventories		259.5	79.1
Distributions from investments		3.1	22.2
		863.2	692.9
Property and development expenses			
Property expenses		(59.7)	(61.7)
Development expenses		(57.9)	(146.8)
Inventory cost of sales		(253.5)	(69.2)
		(371.1)	(277.7)
Other income			
Net gain from fair value adjustments on investment properties	11	28.0	6.5
Net gain on disposal of investment properties		12.9	14.3
Net gain on disposal of controlled entities	5	12.1	44.3
Share of net results of equity accounted investments	5	228.8	166.6
Net (loss)/gain on disposal of equity investments	5	(0.1)	19.9
		281.7	251.6
Other expenses			
Employee expenses		(98.8)	(87.3)
Share based payments expense	5,18(b)	(26.4)	(24.4)
Administrative and other expenses		(67.2)	(61.0)
Acquisition related costs	24	(3.3)	(3.0)
Impairment losses	5	(65.4)	(89.5)
Restructuring costs	5	(9.8)	–
		(270.9)	(265.2)
Profit before interest and tax		502.9	401.6
Net finance income/(expense)			
Finance income	5	10.3	136.4
Finance expense	5	(314.0)	(77.8)
Net finance (expense)/income		(303.7)	58.6
Profit before income tax		199.2	460.2
Income tax expense	6	(15.9)	(9.7)
Profit for the year		183.3	450.5
Profit attributable to GL	22	128.5	294.4
Profit attributable to GIT (non-controlling interests)	22	18.6	113.9
Profit attributable to GLHK (non-controlling interests)	22	13.9	–
Profit attributable to Securityholders	3	161.0	408.3
Profit attributable to other non-controlling interests		22.3	42.2
Profit for the year		183.3	450.5
Basic profit per Company share (c)	3	7.7	19.5
Diluted profit per Company share (c)	3	7.6	17.2

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 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Profit for the year		183.3	450.5
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit superannuation funds	18(a), 21(f)	6.9	(12.4)
Effect of foreign currency translation	21(f)	(1.7)	(0.3)
		5.2	(12.7)
Items that may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	21(a)	(1.8)	(1.9)
Cash flow hedges:			
– Change in value of financial instruments	21(b)	8.3	5.4
– Transfers to the income statement from cash flow hedge reserve	21(b)	8.1	31.2
Effect of foreign currency translation	21	270.4	(50.1)
Transfers to the income statement from foreign currency translation reserve	21(c)	(13.3)	7.5
		271.7	(7.9)
Other comprehensive income for the year, net of income tax		276.9	(20.6)
Total comprehensive income for the year		460.2	429.9
Total comprehensive income attributable to GL		132.5	257.2
Total comprehensive income attributable to GIT		218.9	130.5
Total comprehensive income attributable to GLHK		86.5	–
Total comprehensive income attributable to Securityholders		437.9	387.7
Other non-controlling interests		22.3	42.2
Total comprehensive income for the year		460.2	429.9

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 2013

Year ended 30 June 2012
Consolidated

	Note	Attributable to Securityholders			Total \$M	Other non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 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 China Investment Corporation (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 (Goodman PLUS)	7	–	–	–	–	(21.5)	(21.5)
– Distributions declared on convertible preference securities issued to CIC	7	–	–	–	–	(20.7)	(20.7)
– Equity settled share based payments expense 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

Year ended 30 June 2013
Consolidated

	Note	Attributable to Securityholders			Total \$M	Other non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 2012		7,363.4	(2,373.0)	(134.6)	4,855.8	318.8	5,174.6
Total comprehensive income for the year							
Profit for the year	22	–	–	161.0	161.0	22.3	183.3
Other comprehensive income for the year		–	276.9	–	276.9	–	276.9
Total comprehensive income for the year, net of income tax		–	276.9	161.0	437.9	22.3	460.2
Transfers		–	420.7	(420.7)	–	–	–
Contributions by and distributions to owners							
– Issue of securities under the Institutional Placement	20	400.0	–	–	400.0	–	400.0
– Issue of securities under the Security Purchase Plan	20	49.1	–	–	49.1	–	49.1
– Issue costs due to stapled securities	20	(7.7)	–	–	(7.7)	–	(7.7)
– Transfers to accumulated losses on modification of Goodman PLUS	23	–	–	(8.1)	(8.1)	8.1	–
– Distributions declared on stapled securities	7	–	–	(243.7)	(243.7)	–	(243.7)
– Distributions paid on Goodman PLUS	7	–	–	–	–	(16.7)	(16.7)
– Issue costs arising on modification of Goodman PLUS	23	–	–	–	–	(1.0)	(1.0)
– Equity settled share based payments expense recognised in the income statement	18(b)	–	20.9	–	20.9	–	20.9
Balance at 30 June 2013		7,804.8	(1,654.5)	(646.1)	5,504.2	331.5	5,835.7

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

Consolidated cash flow statement

for the year ended 30 June 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Cash flows from operating activities			
Property income received		222.5	244.0
Cash receipts from development activities		738.1	532.2
Other cash receipts from services provided		181.4	155.4
Property expenses paid		(73.4)	(72.2)
Payments for development activities		(671.5)	(525.5)
Other cash payments in the course of operations		(181.0)	(151.6)
Dividends/distributions received		169.3	121.9
Interest received		7.1	43.6
Finance costs paid		(29.9)	(76.6)
Net income taxes paid		(6.5)	(4.4)
Net cash provided by operating activities	26(b)	356.1	266.8
Cash flows from investing activities			
Proceeds from disposal of investment properties		282.7	204.3
Proceeds from disposal of equity investments		429.7	152.7
Payments for controlled entities, net of cash acquired	24	(17.6)	–
Payments for intangible assets		(4.9)	–
Payments for equity investments		(484.3)	(428.9)
Payments for investment properties		(54.3)	(140.2)
Payments for plant and equipment		(4.9)	(8.7)
Net cash provided by/(used in) investing activities		146.4	(220.8)
Cash flows from financing activities			
Proceeds from issue of ordinary securities		449.1	33.3
Issue costs due to stapled securities		(7.7)	(0.1)
Issue costs arising on modification of Goodman PLUS		(1.0)	–
Net cash flows from loans to related parties		(22.2)	(40.7)
Proceeds from borrowings		945.6	2,708.7
Repayments of borrowings		(1,204.3)	(2,336.2)
Distributions paid	7	(327.4)	(328.0)
Net cash (used in)/provided by financing activities		(167.9)	37.0
Net increase in cash held		334.6	83.0
Cash at the beginning of the year		310.8	227.8
Cash at the end of the year	26(a)	645.4	310.8

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2013

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 2013 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 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 15 August 2013.

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

(a) Basis of preparation of the consolidated financial report

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

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

(b) Principles of consolidation

Accounting for the acquisition of control of Goodman Industrial Trust

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

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

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

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

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

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

Business combinations

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

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

Measuring goodwill

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

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

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(b) Principles of consolidation continued

Contingent liabilities

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

Non-controlling 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 2013 and the results of all such entities for the year ended 30 June 2013.

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.

Management income

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

Development income

Development income comprises fee income from development management contracts 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. Any performance related development management income is recognised on attainment of the performance related consideration.

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

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.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(d) Foreign currency translation continued

Exchange rates used

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

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2013	2012	2013	2012
New Zealand dollars (NZD)	1.2496	1.2832	1.1871	1.2771
Hong Kong dollars (HKD)	7.967	8.0227	7.0739	7.8899
Chinese yuan (CNY)	6.4169	6.5572	5.5989	6.4651
Japanese yen (JPY)	89.8402	81.133	91.6400	80.8900
Euros (EUR)	0.7949	0.7709	0.7095	0.8092
British pounds sterling (GBP)	0.655	0.6513	0.6072	0.6529
United States dollars (USD)	1.0273	1.0317	0.9275	1.0191
Brazilian real (BRL)	2.0923	–	2.0250	–

Hedges of net investments in foreign operations

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

(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

(f) Investment properties 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.

Prior to 1 July 2012, unrealised gains or losses on properties included in the asset revaluation reserve were transferred to the capital profits reserve on disposal. From 1 July 2012, the Consolidated Entity has amended its practice such that on disposal of properties any previously unrealised gains or losses are now transferred from the asset revaluation reserve to accumulated losses/retained earnings. Accordingly, the balance of the capital profits reserve at 1 July 2012 has been transferred to accumulated losses.

(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 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.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(i) Financial instruments continued

Non-derivative financial assets 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 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

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

Derivative financial instruments and hedging

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

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

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

Cash flow hedges

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

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

1 Statement of significant accounting policies continued

(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 date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the income statement in the reporting period in which it occurs.

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

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

Financial assets

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

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

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(m) Impairment 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.

(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.

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

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

Onerous contracts

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

Rental guarantees

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

1 Statement of significant accounting policies continued

(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.

(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.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(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.

Share based payment transactions

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

(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 and the CDIs over the ordinary shares of GLHK are presented as non-controlling interests, and therefore the profit attributable to GIT and GLHK is excluded from the calculation of basic and diluted earnings per Company share presented on the face of the income statement. Therefore, the Directors also disclose 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).

1 Statement of significant accounting policies continued

(u) Parent Entity financial information continued

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.

(v) Australian Accounting Standards issued but not yet effective

As at the date of this consolidated financial report, the following new and revised 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 2013 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. 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 made an assessment of the impact of the new accounting standard and does not consider that it will have a material impact on the Consolidated Entity’s results;
- + AASB 12 *Disclosure of Interests in Other Entities* sets out the required disclosures for interests 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 does not consider that it will have a material impact on the Consolidated Entity’s results although may require additional disclosures; and
- + Revised AASB 119 *Employee Benefits* introduces new requirements for the classification and measurement of defined benefit plans. AASB 119 will become mandatory for the Consolidated Entity’s 30 June 2014 financial statements. The Consolidated Entity does not consider that it will have a material impact on the Consolidated Entity’s results.

(w) Rounding

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

Notes to the consolidated financial statements

Continued

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

The preparation of consolidated financial statements requires estimates and assumptions concerning the application of accounting policies and the future to be made by the Consolidated Entity. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both Goodman's directly held properties 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 the asset (categorised by likely appeal to private investors (including syndicates), national and institutional investors); and
- + categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

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

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

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

Market assessment

At 30 June 2013, 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.

At 30 June 2013, the overall weighted average capitalisation rates for the divisional portfolio (including funds managed by Goodman) are as set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	30 Jun 2013 %	30 Jun 2012 %
Australia	8.0	8.1
New Zealand	8.1	8.5
Hong Kong	6.4	6.2
China	8.7	8.9
Japan	5.5	5.5
Logistics – Continental Europe	7.6	7.8
Logistics – United Kingdom	8.4	8.1
Business Parks – United Kingdom	8.7	8.2

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

(a) Investment property values continued

At 30 June 2013, the carrying value of stabilised investment properties held by the Consolidated Entity was \$2,090.4 million (2012: \$2,259.0 million). During the year ended 30 June 2013, 69% (2012: 65%) 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 15.0%.

At 30 June 2013, the carrying value of investment properties under development held by the Consolidated Entity was \$315.5 million (2012: \$415.5 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 2013, the carrying value of inventories held by the Consolidated Entity was \$949.5 million (2012: \$795.3 million).

(c) Intangible assets

The Consolidated Entity recognises both indefinite life management rights and goodwill in its statement of financial position. At 30 June 2013, the carrying values of management rights and goodwill held by the Consolidated Entity were respectively \$253.7 million (2012: \$232.9 million) and \$637.7 million (2012: \$550.3 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) 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.

(e) 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 return (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/distribution yield.

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

Notes to the consolidated financial statements

Continued

3 Profit per Company share/per security

	Note	2013 ¢	2012 ¢
Profit per Company share			
Basic profit per Company share	3(a)	7.7	19.5
Diluted profit per Company share	3(a)	7.6	17.2
Profit per security			
Basic profit per security	3(a)	9.6	27.0
Diluted profit per security	3(a)	9.5	26.3
Distributions/dividends per security	3(b)	19.4	18.0

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

	Note	2013 \$M	2012 \$M
Profit per Company share			
Profit after tax used in calculating basic and diluted profit per Company share	22	128.5	294.4
Profit per security			
Profit after tax used in calculating basic profit per security	22	161.0	408.3
Distribution on Goodman PLUS Trust hybrid securities (Goodman PLUS) and CIC convertible preference securities ¹	7	–	42.2
Profit after tax used in calculating diluted profit per security		161.0	450.5

1. The effect of conversion of Goodman PLUS has been excluded in the calculation of diluted profit per security in the current period as they are anti-dilutive. The CIC convertible preference securities were converted to ordinary securities during the prior financial year.

Weighted average number of securities

	2013 Number of securities	2012 Number of securities
Weighted average number of securities used in calculating basic profit per Company share/per security	1,671,762,508	1,510,203,021
Effect of performance rights on issue	26,906,101	17,994,182
Effect of conversion of Goodman PLUS Trust hybrid securities and CIC convertible preference securities ¹	–	181,959,594
Weighted average number of securities used in calculating diluted profit per Company share/per security	1,698,668,609	1,710,156,797

1. The effect of conversion of Goodman PLUS has been excluded in the calculation of diluted profit per security in the current period as they are anti-dilutive. The CIC convertible preference securities were converted to ordinary securities during the prior financial year.

3 Profit per Company share/per security continued

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

As at 30 June 2013, the following performance rights and contingently issuable securities are potentially dilutive in future periods:

- + 36,381,712 equity settled performance rights granted to employees under the LTIP, subject to the satisfaction of performance hurdles and continued employment; and
- + securities contingently issuable on conversion of Goodman PLUS.

(b) Dividends per Company share and distributions per security

No dividends were declared or paid by the Company during the financial year. On 15 August 2013, the Company declared a fully franked dividend of 5.2 cents per share amounting to \$88.7 million (2012: \$nil).

Total distributions for the financial year declared by GIT were 14.2 cents per security (2012: 18.0 cents per security). Details of the dates of payment are set out in note 7.

No dividends were declared or paid by GLHK during the financial year (2012: \$nil).

The total distribution by the Consolidated Entity in relation to the current financial year (including the proposed dividend declared by the Company subsequent to the year end) was 19.4 cents per security.

4 Segment reporting

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

The activities and services undertaken by the divisions include:

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

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

Notes to the consolidated financial statements

Continued

4 Segment reporting continued

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		Americas		Total	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Income statement												
External revenues												
Gross property income	188.7	210.1	2.9	0.1	6.6	4.2	21.4	21.3	–	–	219.6	235.7
Management income	72.5	66.0	54.9	19.3	28.3	26.2	25.3	27.7	–	–	181.0	139.2
Development income	63.7	128.6	47.1	2.4	83.2	79.5	5.2	6.2	0.8	–	200.0	216.7
Income from disposal of inventories	36.4	18.0	91.1	–	–	–	35.4	61.1	96.6	–	259.5	79.1
Distributions from investments	–	–	–	–	1.9	3.3	1.2	18.9	–	–	3.1	22.2
Total external revenues	361.3	422.7	196.0	21.8	120.0	113.2	88.5	135.2	97.4	–	863.2	692.9
Reportable segment profit/(loss) before tax	372.0	352.6	144.2	66.4	91.5	102.3	74.5	64.6	(6.1)	–	675.9	585.9
Other material non-cash items not included in reportable segment profit/(loss) before tax												
Net gain/(loss) from fair value adjustments on investment properties	34.7	18.3	–	(4.8)	(6.7)	(5.3)	–	(1.7)	–	–	28.0	6.5
Impairment losses	(22.5)	(10.6)	–	–	(5.0)	(19.1)	(37.9)	(59.8)	–	–	(65.4)	(89.5)
Other key components of financial performance included in reportable segment profit/(loss) before tax												
Share of net results of equity accounted investments	161.3	135.2	76.5	56.6	21.5	(2.0)	(30.3)	(23.2)	(0.2)	–	228.8	166.6
Statement of financial position												
Reportable segment assets	4,041.1	4,315.6	1,121.8	764.3	1,644.9	1,253.3	1,377.0	1,372.8	166.3	101.8	8,351.1	7,807.8
Investments in equity accounted investments (included in reportable segment assets)	1,657.5	1,810.7	569.7	374.6	522.0	357.0	338.3	351.1	155.6	–	3,243.1	2,893.4
Total non-current assets	3,968.2	4,219.9	928.7	618.4	1,349.4	1,141.2	1,168.7	1,201.9	160.6	101.8	7,575.6	7,283.2
Reportable segment liabilities	93.9	61.9	66.1	19.2	80.0	67.0	41.4	59.6	36.8	76.5	318.2	284.2

4 Segment reporting continued

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

	2013 \$M	2012 \$M
Revenues		
Total revenue for reportable segments	863.2	692.9
Consolidated revenues	863.2	692.9
Profit or loss		
Total profit before tax for reportable segments	675.9	585.9
Corporate expenses not allocated to reportable segments	(66.9)	(59.0)
Operating profit before interest and tax	609.0	526.9
Valuation and other adjustments not included in reportable segment profit before tax:		
– Net gain from fair value adjustments on investment properties	28.0	6.5
– Impairment losses	(65.4)	(89.5)
– Fair value adjustments relating to associates and joint venture entities	(15.3)	(10.2)
– Share based payments expense	(26.4)	(24.4)
– Capital profit/(loss) not distributed	0.4	(7.5)
– Straight lining of rent	1.3	2.7
– Transaction related costs for strategic initiatives	(18.9)	(2.9)
– Restructuring costs	(9.8)	–
Profit before interest and tax	502.9	401.6
Net finance (expense)/income – refer to note 5	(303.7)	58.6
Profit before income tax	199.2	460.2
Assets		
Total assets for reportable segments	8,351.1	7,807.8
Other unallocated amounts	539.6	412.1
Consolidated total assets	8,890.7	8,219.9
Liabilities		
Total liabilities for reportable segments	318.2	284.2
Interest bearing liabilities	2,249.8	2,347.5
Provisions for distributions to Securityholders	77.5	144.5
Other unallocated amounts	409.5	269.1
Consolidated total liabilities	3,055.0	3,045.3

Notes to the consolidated financial statements

Continued

5 Profit before income tax

	Consolidated	
	2013 \$M	2012 \$M
Profit before income tax has been arrived at after crediting/(charging) the following items:		
Net gain on disposal of special purpose development entities	12.1	44.3
Net gain on disposal of controlled entities	12.1	44.3
Share of net results of investments in associates – refer to note 12(a)		
– Operating results after tax (before revaluations)	220.2	162.8
– Fair value adjustments attributable to investment properties	5.7	42.1
– Fair value adjustments on interest rate swaps	(19.1)	(60.5)
Share of net results of investments in joint venture entities – refer to note 12(b)		
– Operating results after tax (before revaluations)	23.9	14.0
– Fair value adjustments attributable to investment properties	(1.7)	11.6
– Fair value adjustments on interest rate swaps	(0.2)	(3.4)
Share of net results of equity accounted investments	228.8	166.6
Net consideration from disposal of equity investments	537.5	102.4
Carrying value of equity investments disposed	(536.7)	(80.7)
Loss on dilution of investment in associate – refer to note 12(a)	(0.9)	(1.8)
Net (loss)/gain on disposal of equity investments	(0.1)	19.9
Equity settled share based payments expense	(20.9)	(22.8)
Cash settled share based payments expense	(5.5)	(1.6)
Share based payments expense	(26.4)	(24.4)
Amortisation of leasehold improvements – refer to note 14	(0.6)	(0.5)
Depreciation of plant and equipment – refer to note 14	(5.4)	(4.8)
Amortisation and depreciation	(6.0)	(5.3)
Impairment of receivables – refer below	(15.2)	(10.9)
Impairment of inventories – refer to note 9	(45.4)	(51.1)
Impairment of equity accounted investments – refer to note 12	(2.8)	(2.6)
Impairment of other financial assets – refer below	(2.0)	(13.8)
Impairment of intangible assets – refer note 15	–	(11.1)
Impairment losses	(65.4)	(89.5)
Restructuring costs		
Employee expenses	(5.0)	–
Administrative and other expenses	(4.8)	–
Total restructuring costs – refer below	(9.8)	–

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 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 financial year, the impairment loss relates to the fair value adjustment arising on the investment in Goodman European Business Parks Fund (GEBPF).

Restructuring costs

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

Net finance income/(expense)

	Consolidated	
	2013 \$M	2012 \$M
Finance income		
Interest income from:		
– Related parties	5.9	5.7
– Other parties	4.4	5.2
Fair value adjustments on derivative financial instruments ¹	–	125.5
	10.3	136.4
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(117.6)	(94.8)
Other borrowing costs	(15.8)	(14.8)
Unwind of discount on deferred consideration	(0.9)	–
Fair value adjustments on derivative financial instruments ¹	(207.5)	–
Foreign exchange loss ²	(65.3)	(56.2)
Capitalised borrowing costs ³	93.1	88.0
	(314.0)	(77.8)
Net finance (expense)/income	(303.7)	58.6

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 \$65.3 million (2012: \$56.5 million) 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 3.0% and 8.4% per annum (2012: 4.2% and 8.9% per annum).

Notes to the consolidated financial statements

Continued

6 Income tax expense

	Consolidated	
	2013 \$M	2012 \$M
Current tax expense recognised in the income statement		
Current year	(18.1)	(10.7)
Adjustment for prior periods	6.0	(0.1)
	(12.1)	(10.8)
Deferred tax (expense)/benefit recognised in the income statement		
Origination and reversal of temporary differences	(3.8)	1.1
	(3.8)	1.1
Total income tax expense	(15.9)	(9.7)
	Consolidated	
	2013 \$M	2012 \$M
(a) Income tax expense		
Profit before income tax	199.2	460.2
Prima facie income tax expense calculated at 30% (2012: 30%) on the profit before income tax	(59.8)	(138.1)
Decrease/(increase) in income tax due to:		
– Profit attributable to Unitholders	51.3	121.3
– Loss on disposal of securities issued under the Employee Securities Acquisition Plan	–	70.8
– Current year losses for which no deferred tax asset was recognised	(22.3)	(36.6)
– Non-deductible impairment losses	(6.8)	(16.8)
– Non-assessable amounts from share of results of equity accounted investments	5.4	8.0
– Non-deductible interest expense	(11.8)	(14.8)
– Non-assessable interest income	2.9	6.3
– Non-deductible option expense	(7.8)	(7.3)
– Utilisation of previously unrecognised tax losses	18.7	(3.1)
– Difference in overseas tax rates	(2.0)	0.5
– Adjustment for current tax in prior periods	6.0	(0.1)
– Other items	10.3	0.2
Income tax expense	(15.9)	(9.7)
(b) Deferred tax benefit recognised directly in equity		
Defined benefits pension scheme	2.8	3.3
	2.8	3.3
(c) Net income tax payable		
Net balance at the beginning of the year	(29.8)	(25.3)
(Increase)/decrease in current net tax payable due to:		
– Net income taxes paid	6.5	4.4
– Current tax expense	(12.1)	(10.8)
– Other	(0.6)	1.9
Net balance at the end of the year	(36.0)	(29.8)
Current tax receivables	3.0	0.1
Current tax payables	(39.0)	(29.9)
	(36.0)	(29.8)

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	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Consolidated						
Investment properties ¹	–	3.2	–	–	–	3.2
Receivables	–	–	(6.4)	(6.1)	(6.4)	(6.1)
Tax losses	3.2	3.2	–	–	3.2	3.2
Payables	1.7	1.2	–	–	1.7	1.2
Provisions	7.3	9.4	–	–	7.3	9.4
Other items	1.2	1.8	(0.1)	(0.2)	1.1	1.6
Tax assets/(liabilities)	13.4	18.8	(6.5)	(6.3)	6.9	12.5

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

Deferred tax assets of \$178.0 million in relation to tax losses have not been recognised by the Consolidated Entity at 30 June 2013 (2012: \$150.0 million).

7 Dividends and distributions

(a) Dividends declared by the Company

No dividends were declared or paid by the Company during the current or prior financial year. On 15 August 2013, the Company declared a fully franked dividend of 5.2 cents per share amounting to \$88.7 million (2012: \$nil).

Dividend franking account

	Goodman Limited	
	2013 \$M	2012 \$M
30% franking credits available to Shareholders for subsequent financial years	38.0	37.6

The franking credits amount is 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.

All the franking credits will be utilised by the payment of the dividend of 5.2 cents per share declared on 15 August 2013.

(b) Distributions declared and paid by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the current financial year			
– 31 Dec 2012	9.7	166.2	28 Feb 2013
– 30 Jun 2013	4.5	77.5	26 Aug 2013
	14.2	243.7	
Distributions for the prior financial year			
– 31 Dec 2011	9.0	138.6	28 Feb 2012
– 30 Jun 2012	9.0	144.5	27 Aug 2012
	18.0	283.1	

Notes to the consolidated financial statements

Continued

7 Dividends and distributions continued

(b) Distributions declared and paid by GIT continued

Movement in provision for distributions to Securityholders

	Consolidated	
	2013 \$M	2012 \$M
Balance at the beginning of the year	144.5	147.2
Provisions for distributions	243.7	283.1
Payment of distributions	(310.7)	(285.8)
Balance at the end of the year	77.5	144.5

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

No dividends were declared or paid by Goodman Logistics (HK) Limited during the financial year ended 30 June 2013 or up to the date of this report (2012: \$nil).

(d) Distributions declared and paid by Goodman PLUS Trust

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

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the current financial year¹			
– 21 Sep 2012	136.7	4.5	21 Sep 2012
– 31 Dec 2012	201.6	6.6	31 Dec 2012
– 31 Mar 2013	170.4	5.6	31 Mar 2013
– 30 Jun 2013	173.3	5.6	1 Jul 2013
	682.0	22.3	
Distributions for the prior financial year			
– 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	

1. On 26 September 2012, the holders of Goodman PLUS approved certain amendments to the terms of the hybrid securities (refer to note 23). These amendments include a change to the quarterly distribution dates to 31 December, 31 March, 30 June and 30 September.

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

In the prior financial year, China Hybrid Investment Sub-trust, a controlled entity of the Consolidated Entity, had hybrid securities (CIC convertible preference securities) on issue which met the definition of equity. The final tranche of these securities were converted to ordinary stapled securities of the Consolidated Entity on 25 June 2012. The distributions paid by China Hybrid Investment Sub-trust in the prior financial year were \$20.7 million.

8 Receivables

	Consolidated	
	2013 \$M	2012 \$M
Current		
Trade receivables	21.7	9.9
Other receivables	127.1	49.5
Construction contract receivables	137.5	8.7
Amounts due from related parties	52.4	91.3
Derivative financial instruments	–	4.9
	338.7	164.3
Non-current		
Loans to related parties	157.1	135.7
Other receivables	31.6	–
Derivative financial instruments ¹	120.6	228.7
	309.3	364.4

1. Includes the fair values of cross currency interest rate swaps amounting to \$94.2 million (2012: \$176.5 million) entered into to hedge the United States senior notes (refer to note 17(c)).

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

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

Amounts in A\$M	NZD	USD	JPY	EUR	GBP	HKD
2013	35.7	150.5	4.1	210.1	70.2	4.7
2012	5.2	41.6	3.2	94.4	64.4	3.7

Trade receivables

At 30 June 2013, trade receivables of \$0.9 million (2012: \$0.7 million) were impaired. The ageing analysis of trade receivables (before impairment) is as follows:

	Consolidated	
	2013 \$M	2012 \$M
Overdue by:		
Up to 1 month	5.4	2.8
1 month to 4 months	2.1	1.1
Greater than 4 months	0.9	0.1
	8.4	4.0

The Consolidated Entity holds bank guarantees as security for \$1.2 million (2012: \$2.3 million) of its trade receivables from investment property customers.

Notes to the consolidated financial statements

Continued

8 Receivables continued

Other receivables

At 30 June 2013, there was no allowance for impairment of other receivables (2012: \$nil). The ageing analysis of other receivables is as follows:

	Consolidated	
	2013 \$M	2012 \$M
Overdue by:		
Up to 1 month	–	0.8
1 month to 4 months	–	–
Greater than 4 months	–	–
	–	0.8

Construction contract receivables

	Consolidated	
	2013 \$M	2012 \$M
Net contract debtors excluding retentions	186.0	182.9
Retentions	–	–
Net contract debtors	186.0	182.9
Cash received to date	(48.5)	(174.2)
Effect of foreign currency translation	–	–
Total progressive value	137.5	8.7
Amounts due from customers – contract debtors	137.5	8.7
Amounts due from customers – trade debtors	–	–
Construction contract receivables	137.5	8.7

Amounts due from related parties

At 30 June 2013, amounts due from related parties of \$1.8 million (2012: \$1.0 million) were impaired. The ageing analysis of these amounts due from related parties is as follows:

	Consolidated	
	2013 \$M	2012 \$M
Overdue by:		
Up to 1 month	2.3	0.5
1 month to 4 months	0.4	1.7
Greater than 4 months	5.1	1.5
	7.8	3.7

Loans to related parties

Details of loans to related parties are set out in note 29. During the financial year, impairments of \$14.4 million (2012: \$9.9 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	
	2013 \$M	2012 \$M
Current		
Development land	156.8	194.3
	156.8	194.3
Non-current		
Development land	792.7	601.0
	792.7	601.0

During the financial year, impairments of \$45.4 million (2012: \$51.1 million) were recognised to write down development land to net realisable value.

During the financial year, borrowing costs of \$12.1 million (2012: \$10.0 million) previously capitalised into the carrying value of inventories were expensed to the income statement on disposal.

10 Other assets

	Consolidated	
	2013 \$M	2012 \$M
Current		
Other property assets	5.9	107.6
Prepayments	27.5	13.7
	33.4	121.3
Non-current		
Other property assets	21.1	67.5
	21.1	67.5

11 Investment properties

	Consolidated	
	2013 \$M	2012 \$M
Carrying amount at the beginning of the year	2,674.5	2,924.7
Cost of acquisition:		
– Other acquisitions	–	2.3
Capital expenditure	59.2	97.7
Disposals:		
– Carrying value of properties sold	(251.5)	(189.8)
– On disposal of interests in controlled entities	(116.2)	–
Transfers to inventories ¹	(13.9)	(172.8)
Net gain from fair value adjustments	28.0	6.5
Effect of foreign currency translation	25.8	5.9
Carrying amount at the end of the year	2,405.9	2,674.5
Analysed as:		
Stabilised investment properties	2,090.4	2,259.0
Investment properties under development	315.5	415.5
	2,405.9	2,674.5

1. Development properties with a fair value of \$13.9 million (2012: \$172.8 million) were reclassified from investment properties to inventories. This follows a change in strategy such that these assets are being developed with a view to sale.

Notes to the consolidated financial statements

Continued

12 Investments accounted for using the equity method

	Note	Consolidated	
		2013 \$M	2012 \$M
Share of net assets accounted for using the equity method			
Associates	12(a)	2,688.0	2,522.2
Joint venture entities (JVEs)	12(b)	555.1	371.2
Total		3,243.1	2,893.4

(a) Investments in associates

	Consolidated	
	2013 \$M	2012 \$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,522.2	2,372.7
Share of net results after tax (before revaluations)	220.2	162.8
Share of fair value adjustments attributable to investment properties	5.7	42.1
Share of fair value adjustments on interest rate swaps	(19.1)	(60.5)
Share of net results	206.8	144.4
Share of movements in reserves	6.9	22.2
Loss on dilution of investment	(0.9)	(1.8)
Acquisitions	344.6	200.0
Disposals	(380.3)	(78.7)
Distributions received and receivable	(142.0)	(127.2)
Effect of foreign currency translation	130.7	(9.4)
Carrying amount at the end of the year	2,688.0	2,522.2

12 Investments accounted for using the equity method continued

(a) Investments in associates continued

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

Name	Country of establishment/ incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2013 \$M	2012 \$M	2013 %	2012 %	2013 \$M	2012 \$M
Property investment associates							
Goodman Australia Industrial Fund (GAIF)	Australia	82.9	81.0	26.6	43.3	818.0	1,145.2
Goodman Australia Development Fund (GADF)	Australia	4.5	2.8	20.0	20.0	47.8	44.8
Goodman Trust Australia (GTA)	Australia	49.1	42.1	19.9	19.9	372.3	323.8
Goodman Property Trust (GMT) ¹	New Zealand	12.7	5.4	17.6	17.2	181.8	136.3
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	58.5	29.4	20.0	20.0	370.5	220.4
Goodman China Logistics Holding Limited (GCLHL)	China	6.6	3.2	20.0	20.0	20.2	12.1
Goodman Japan Core Fund TMKs (GJCF TMKs) ²	Japan	4.2	–	30.9	–	92.0	–
Goodman European Logistics Fund (GELF)	Luxembourg	20.8	(2.0)	30.8	26.6	484.9	328.3
Arlington Business Parks Partnership (ABPP)	United Kingdom	(32.5)	(22.2)	43.1	43.1	300.5	311.3
Property development associate							
Moriya GK	Japan	–	4.7	–	30.0	–	–
		206.8	144.4			2,688.0	2,522.2

1. GMT is listed on the New Zealand Exchange. The market value of the Consolidated Entity's investment in GMT at 30 June 2013 using the quoted price on the last day of trading was \$183.7 million (2012: \$133.7 million). Goodman is assessed to have significant influence over the operations of GMT despite only owning 17.6% (2012: 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.
2. The investment in GJCF TMKs was acquired as part of the Consolidated Entity's acquisition of Goodman Japan Sub-Holdings Pte Limited (refer to note 24).

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 (100%) \$M
GAIF	2013	450.0	216.2	4,844.7	1,836.0	3,008.7
	2012	435.6	187.1	4,468.5	1,882.8	2,585.7
GADF	2013	13.3	22.3	287.2	60.1	227.1
	2012	6.2	13.9	233.9	19.9	214.0
GTA	2013	272.1	246.7	3,032.3	1,300.0	1,732.3
	2012	261.1	202.3	2,796.2	1,185.4	1,610.8
GMT	2013	96.8	72.5	1,739.3	729.9	1,009.4
	2012	89.5	32.0	1,318.5	575.2	743.3
GHKLF	2013	109.8	292.6	2,625.7	813.5	1,812.2
	2012	91.8	147.1	1,663.5	561.3	1,102.2
GCLHL	2013	22.0	33.1	786.4	674.3	112.1
	2012	18.3	16.1	354.4	295.2	59.2
GJCF TMKs	2013	15.1	12.6	593.8	295.2	298.6
	2012	–	–	–	–	–
GELF	2013	162.6	83.0	2,930.1	1,363.2	1,566.9
	2012	144.5	20.1	2,181.6	957.9	1,223.7
ABPP	2013	114.4	(75.5)	1,535.7	838.3	697.4
	2012	105.3	(52.0)	1,637.0	914.2	722.8

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.

Notes to the consolidated financial statements

Continued

12 Investments accounted for using the equity method continued

(b) Investments in JVEs

	Consolidated	
	2013 \$M	2012 \$M
Movement in carrying amount of investments in JVEs		
Carrying amount at the beginning of the year	371.2	224.7
Share of net results after tax (before revaluations)	23.9	14.0
Share of fair value adjustments attributable to investment properties	(1.7)	11.6
Share of fair value adjustments on interest rate swaps	(0.2)	(3.4)
Share of net results	22.0	22.2
Share of movements in reserves	0.2	0.4
Impairment	(2.8)	(2.6)
Acquisitions	397.7	120.5
Disposals	(156.5)	–
Capital return	(72.6)	–
Distributions received and receivable	(7.7)	(1.4)
Effect of foreign currency translation	3.6	7.4
Carrying amount at the end of the year	555.1	371.2

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

Name	Country of establishment/ incorporation	Consolidated share of JVE's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2013 \$M	2012 \$M	2013 %	2012 %	2013 \$M	2012 \$M
Property investment JVEs							
KWASA Goodman Industrial Trust (KGIT)	Australia	9.5	0.5	40.0	40.0	182.6	103.3
Goodman Japan Sub-Holdings Pte Limited (GJSH) ¹	Singapore	7.3	19.3	–	50.0	–	142.0
Goodman Princeton Holdings (Lux) Sàrl (Princeton Lux)	Luxembourg	1.1	0.9	20.0	20.0	31.2	27.5
Goodman Princeton Holdings (Jersey) Ltd (Princeton Jersey)	Jersey	0.1	0.6	20.0	20.0	11.3	11.2
Colworth Park Ltd Partnership (Colworth)	United Kingdom	1.4	(1.1)	50.0	50.0	18.3	15.6
Goodman North America Partnership (GNAP)	USA	(0.2)	–	55.0	–	95.6	–
Property development JVEs							
Highbrook Development Ltd (HDL) ²	New Zealand	1.4	2.5	–	25.0	–	54.8
Goodman Japan Development Partnership (GJDP) ³	Japan	(0.1)	0.1	50.0	–	87.0	–
WTGoodman ⁴	Brazil	–	–	50.0	–	60.0	–
Other JVEs		1.5	(0.6)			69.1	16.8
		22.0	22.2			555.1	371.2

1. During the year, the Consolidated Entity acquired the remaining 50% of the equity in GJSH (formerly Macquarie Goodman Japan Pte Limited) that it did not previously own (refer to note 24).

2. During the year, the Consolidated Entity disposed of its investment in HDL to GMT.

3. During the year, the Consolidated Entity established a development joint venture entity, GJDP, with Abu Dhabi Investment Council.

4. During the year, the Consolidated Entity established a development joint venture entity, WTGoodman with WTorre.

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 \$M	Total liabilities ² \$M	Net assets (100%) \$M
KGIT	2013	51.9	23.7	726.4	283.2	443.2
	2012	1.8	1.3	401.7	154.9	246.8
GJSH	2013	39.6	14.6	—	—	—
	2012	65.7	38.6	283.9	—	283.9
Princeton Lux	2013	11.4	5.5	250.2	98.7	151.5
	2012	5.2	(2.5)	136.9	6.5	130.4
Princeton Jersey	2013	4.2	0.5	54.0	1.8	52.2
	2012	3.4	2.9	50.3	1.7	48.6
Colworth	2013	5.9	2.8	82.1	45.6	36.5
	2012	9.5	(2.3)	74.8	43.7	31.1
GNAP	2013	—	(0.4)	167.9	0.7	167.2
	2012	—	—	—	—	—
HDL	2013	6.8	6.1	—	—	—
	2012	17.9	13.1	385.3	163.0	222.3
GJDP	2013	—	(0.1)	224.5	54.8	169.7
	2012	—	—	—	—	—
WTGoodman	2013	—	—	123.4	11.7	111.7
	2012	—	—	—	—	—

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 \$1,703.4 million (2012: \$1,446.9 million) and total non-current liabilities of \$639.8 million (2012: \$467.6 million).

13 Other financial assets

	Consolidated	
	2013 \$M	2012 \$M
Investment in unlisted securities, at fair value ¹	15.7	13.6
	15.7	13.6

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

Notes to the consolidated financial statements

Continued

14 Plant and equipment

	Consolidated	
	2013 \$M	2012 \$M
Leasehold improvements, at cost	6.7	6.4
Accumulated amortisation	(2.4)	(1.8)
	4.3	4.6
Plant and equipment, at cost	42.2	28.4
Accumulated depreciation	(25.7)	(20.3)
	16.5	8.1
Total plant and equipment, at net book value	20.8	12.7
Reconciliation		
Leasehold improvements		
Carrying amount at the beginning of the year	4.6	2.8
Additions	1.9	2.5
Disposals	(1.9)	(0.2)
Amortisation	(0.6)	(0.5)
Effect of foreign currency translation	0.3	–
Carrying amount at the end of the year	4.3	4.6
Plant and equipment		
Carrying amount at the beginning of the year	8.1	4.1
Additions	14.6	9.3
Disposals	(1.4)	(0.4)
Depreciation	(5.4)	(4.8)
Effect of foreign currency translation	0.6	(0.1)
Carrying amount at the end of the year	16.5	8.1

15 Intangible assets

	Consolidated	
	2013 \$M	2012 \$M
Goodwill	637.7	550.3
Management rights	253.7	232.9
	891.4	783.2

15 Intangible assets continued

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

Carrying amounts	2013 \$M	2012 \$M
Goodwill		
Japan	15.2	–
Logistics – Continental Europe	536.0	470.1
Logistics – United Kingdom	81.1	75.3
North America	5.4	4.9
Subtotal – goodwill	637.7	550.3
Management rights		
New Zealand	5.7	5.3
Hong Kong	22.2	19.9
China	29.4	26.7
Logistics – Continental Europe	30.6	26.8
Business Parks – United Kingdom	165.8	154.2
Subtotal – management rights	253.7	232.9
Total	891.4	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 2011 \$M	Acquisitions \$M	Effect of foreign currency translation \$M	Balance at 30 June 2012 \$M	Acquisitions \$M	Effect of foreign currency translation \$M	Balance at 30 June 2013 \$M
Goodwill							
Japan	–	–	–	–	15.2	–	15.2
Logistics – Continental Europe	520.1	–	(44.1)	476.0	–	66.7	542.7
Business Parks – Continental Europe	6.4	–	(0.5)	5.9	–	0.8	6.7
Logistics – United Kingdom	106.6	–	2.4	109.0	–	8.3	117.3
North America	–	4.9	–	4.9	–	0.5	5.4
Subtotal – goodwill	633.1	4.9	(42.2)	595.8	15.2	76.3	687.3
Management rights							
New Zealand	5.2	–	0.1	5.3	–	0.4	5.7
Hong Kong	18.8	–	1.1	19.9	–	2.3	22.2
China	25.5	–	1.2	26.7	–	2.7	29.4
Logistics – Continental Europe	29.3	–	(2.5)	26.8	–	3.8	30.6
Business Parks – Continental Europe	9.6	–	(0.8)	8.8	–	1.2	10.0
Business Parks – United Kingdom	156.6	–	3.4	160.0	–	12.0	172.0
Science Parks – United Kingdom	13.3	–	0.3	13.6	–	1.0	14.6
Subtotal – management rights	258.3	–	2.8	261.1	–	23.4	284.5
Total	891.4	4.9	(39.4)	856.9	15.2	99.7	971.8

Notes to the consolidated financial statements

Continued

15 Intangible assets continued

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

	Balance at 1 July 2011 \$M	Impairment \$M	Effect of foreign currency translation \$M	Balance at 30 June 2012 \$M	Impairment \$M	Effect of foreign currency translation \$M	Balance at 30 June 2013 \$M
Impairment losses							
Goodwill							
Japan	–	–	–	–	–	–	–
Logistics – Continental Europe	6.5	–	(0.6)	5.9	–	0.8	6.7
Business Parks – Continental Europe	6.4	–	(0.5)	5.9	–	0.8	6.7
Logistics – United Kingdom	22.0	11.1	0.6	33.7	–	2.5	36.2
Logistics – North America	–	–	–	–	–	–	–
Subtotal – goodwill	34.9	11.1	(0.5)	45.5	–	4.1	49.6
Management rights							
New Zealand	–	–	–	–	–	–	–
Hong Kong	–	–	–	–	–	–	–
China	–	–	–	–	–	–	–
Logistics – Continental Europe	–	–	–	–	–	–	–
Business Parks – Continental Europe	9.6	–	(0.8)	8.8	–	1.2	10.0
Business Parks – United Kingdom	5.7	–	0.1	5.8	–	0.4	6.2
Science Parks – United Kingdom	13.3	–	0.3	13.6	–	1.0	14.6
Subtotal – management rights	28.6	–	(0.4)	28.2	–	2.6	30.8
Total	63.5	11.1	(0.9)	73.7	–	6.7	80.4

Impairment charge

There have been no impairment losses or reversals of impairment losses during the financial year. In the prior financial year, an impairment loss was reflected against the goodwill balance associated with the Logistics – United Kingdom division. This impairment loss was reflected in the income statement (refer to note 5).

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, where relevant, 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 subdivision'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 Japan division goodwill, which arose on the acquisition of the business on 26 March 2013 (refer to note 24).

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

15 Intangible assets continued

Impairment testing for intangible assets continued

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

Averages relate to average amounts over the five year forecast period:

		Logistics – Continental Europe	Logistics – United Kingdom	Business Parks – United Kingdom
Value in use (A\$M) ¹	30 Jun 2013	599.9	95.7	168.1
	30 Jun 2012	532.4	75.8	156.4
Pre-tax discount rate (pa) ²	30 Jun 2013	12.2%	14.1%	10.0%
	30 Jun 2012	14.5%	15.9%	10.0%
Average annual development (million square metres)	30 Jun 2013	0.67	0.21	0.03
	30 Jun 2012	0.83	0.23	0.05
Average annual growth in assets under management (AUM) ³	30 Jun 2013	12.8%	74.9%	5.9%
	30 Jun 2012	17.4%	66.5%	(0.6%)
Total performance fees (A\$M)	30 Jun 2013	–	–	21.4
	30 Jun 2012	–	–	19.9
Average annual increase in operating expenses ⁴	30 Jun 2013	10.6%	3.7%	–
	30 Jun 2012	7.3%	5.6%	1.4%

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 rate is highest in Logistics – United Kingdom, which reflects the fact that the initial portfolios contain a low number of completed properties and the AUM is augmented by completed developments over the forecast period.

4. The average year on year increase in operating expenses in Logistics – Continental Europe reflects the increased expenditure required to support the forecast increase in size of the subdivision.

Notes to the consolidated financial statements

Continued

15 Intangible assets continued

Impairment testing for intangible assets continued

Development activity

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, 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 or subdivisions 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 0.8 million square metres of business space from year 3. This level of development is consistent with that achieved in past financial years. The estimated total cash outflow (from both Goodman and the funds) required to finance the assumed development pipeline across the forecast period in the region of A\$0.5 billion per annum.

(b) Logistics – United Kingdom

The United Kingdom economy is still experiencing little growth but development enquiry is starting to increase, albeit from a low base. The supply of new product in the core areas of the United Kingdom is now limited and as a result the division's development activity is forecast to increase in the short term and remain at between 0.2 million 0.3 million square metres business space per annum. The division has established joint ventures that will allow a re-stocking of land in a capital efficient manner in order to position itself for the anticipated growth in the market. The majority of development land is expected to be sold to the Princeton Jersey JVE with the remaining 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) Business Parks – United Kingdom

The development forecasts for Business Parks – United Kingdom are consistent with those prepared as part of the impairment assessment in the prior year and assume a selective development programme to create prime product to drive future investment returns. This proposed development activity will focus on core parks which currently sit within the ABPP fund, and are most suited to both pre-committed and speculative development. The forecast assumes that development starts per annum average 0.03 million square metres per annum over the five year period, requiring total capital of £0.21bn.

Sources of funding for development activity

Capital inflows required to fund development activity in each division or subdivision 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.

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

Margins from development activity are relatively consistent over the forecast period.

15 Intangible assets continued

Impairment testing for intangible assets continued

Growth in assets under management

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

For Logistics – Continental Europe, the average annual increase in AUM of 12.8% (2012: 17.4%) over the forecast period is broadly consistent with the prior year forecasts. In March 2013, GELF completed a €500.0 million Eurobond issue and in July 2013, completed a €550.0 million capital raising from existing investors to provide liquidity for the fund.

For Logistics – United Kingdom, the average annual increase in AUM of 74.9% over the forecast period reflects the fact that the division is starting from a low base. Over the next five years, the division is assumed to grow its AUM to £502.0 million, reflecting the forecast increase in development activity.

In addition to the increase in AUM from development activity, AUM will also be impacted by property values. In the year ended 30 June 2013, property values for logistics assets across most of Europe were relatively stable, but in the United Kingdom, business parks assets with relatively short lease terms have seen a decrease in value. For each division or subdivision, 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.

Performance fees

Performance fee revenue has been assumed in the Business Parks – United Kingdom subdivision. The levels of performance fee are consistent with the prior year's forecasts.

Operating expenses

Operating expenses in Logistics – Continental Europe and Logistics – United Kingdom are forecast to increase over the forecast period by an average of 10.6% per annum and 3.7% per annum respectively as the divisions or subdivisions increase AUM.

For Business Parks – United Kingdom, there is no significant growth forecast in operating expenses.

Notes to the consolidated financial statements

Continued

15 Intangible assets continued

Impairment testing for intangible assets continued

Assumptions impacting the terminal year

		Logistics – Continental Europe	Logistics – United Kingdom	Business Parks – United Kingdom
Growth rate (pa) ¹	30 Jun 2013	1.7%	2.7%	2.7%
	30 Jun 2012	1.6%	2.6%	2.6%
Development in terminal year (million square metres)	30 Jun 2013	0.80	0.22	0.04
	30 Jun 2012	0.89	0.28	0.03
Development in terminal year (cost in A\$ billion) ²	30 Jun 2013	0.65	0.25	0.09
	30 Jun 2012	0.63	0.23	0.08

1. Long-term growth rates have been used to extrapolate cash flow projections beyond the period covered by the five year forecast.

2. The forecast cost of developments in year five represents the estimated total funding requirements for both directly held developments and developments within managed funds and joint ventures.

Sensitivity analysis

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

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

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

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

	Increase discount rate by 100 bps ¹ \$M	Six month delay in development projects \$M	10% decrease in development revenues in each year \$M	10% decrease in property values in each year \$M	5% increase in forecast operating costs each year \$M	25% reduction in performance fees in each year \$M
30 June 2012						
Logistics – Continental Europe	–	–	(31.6)	–	–	–
Logistics – United Kingdom	(7.5)	(27.9)	(19.3)	(1.7)	(7.2)	–
Business Parks – United Kingdom	(5.7)	(2.7)	(6.8)	(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.

16 Payables

	Consolidated	
	2013	2012
	\$M	\$M
Current		
Trade payables	66.3	145.9
Other payables and accruals	201.0	110.5
Derivative financial instruments	3.7	3.1
	271.0	259.5
Non-current		
Other payables and accruals	78.4	21.4
Derivative financial instruments ¹	236.0	146.3
	314.4	167.7

1. Includes the fair values of cross currency interest rate swaps amounting to \$26.7 million (2012: asset of \$12.4 million) entered into to hedge the United States senior notes (refer to note 17(c)) and the Japanese yen denominated private placement (refer to note 17(d)).

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

Amounts in A\$M	NZD	USD	JPY	EUR	GBP	HKD	BRL
2013	3.4	46.8	8.7	68.1	84.8	2.2	36.0
2012	2.1	89.5	3.0	65.6	71.5	5.2	-

17 Interest bearing liabilities

	Note	Consolidated	
		2013	2012
		\$M	\$M
Current			
Bank loans, unsecured	17(a)	-	42.5
		-	42.5
Non-current			
Bank loans, unsecured	17(a)	235.0	434.1
Euro medium-term notes, unsecured	17(b)	411.7	382.9
US senior notes, unsecured	17(c)	1,428.6	1,300.1
Foreign private placements, unsecured	17(d)	174.5	187.9
		2,249.8	2,305.0

Notes to the consolidated financial statements

Continued

17 Interest bearing liabilities continued

(a) Bank loans, unsecured

Facility		Amounts drawn down in A\$M equivalents						Total
		AUD	NZD	USD	JPY	EUR	GBP	
Bank loan ¹	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	100.0	2.3	–	–	–	–	102.3
Bank loan ²	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	150.0	–	–	–	–	–	150.0
Bank loan ³	30 Jun 2013	–	–	53.0	–	–	–	53.0
	30 Jun 2012	–	–	–	–	–	–	–
Bank loan ⁴	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	–	–	42.5	–	–	–	42.5
Bank loan ⁵	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	21.0	–	–	–	–	–	21.0
Bank loan ⁶	30 Jun 2013	–	–	–	–	89.5	–	89.5
	30 Jun 2012	–	–	–	–	–	–	–
Bank loan ⁷	30 Jun 2013	–	–	67.4	4.9	–	–	72.3
	30 Jun 2012	–	–	52.5	5.6	–	–	58.1
Bank loans ⁸	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	80.0	–	–	–	–	–	80.0
Bank loan ⁹	30 Jun 2013	–	–	–	–	–	30.8	30.8
	30 Jun 2012	–	–	–	–	–	36.8	36.8
Bank loan ¹⁰	30 Jun 2013	–	17.4	–	–	–	–	17.4
	30 Jun 2012	–	15.7	–	–	–	–	15.7
Total	30 Jun 2013	–	17.4	120.4	4.9	89.5	30.8	263.0
	30 Jun 2012	351.0	18.0	95.0	5.6	–	36.8	506.4
Less: Unamortised borrowing costs	30 Jun 2013	–	–	–	–	–	–	(28.0)
	30 Jun 2012	–	–	–	–	–	–	(29.8)
Total unsecured bank loans	30 Jun 2013	–	17.4	120.4	4.9	89.5	30.8	235.0
	30 Jun 2012	351.0	18.0	95.0	5.6	–	36.8	476.6

1. At 30 June 2013, the facility limit was A\$150.0 million and the facility expires on 27 June 2016.

2. At 30 June 2013, the facility limit was A\$150.0 million and the facility expires on 29 June 2016.

3. At 30 June 2013, the facility limit was A\$53.9 million (US\$50.0 million) and the facility expires on 21 December 2015.

4. The facility was fully repaid and cancelled on 21 December 2012.

5. At 30 June 2013, the facility limit was A\$159.0 million and the facility expires on 21 December 2016.

6. At 30 June 2013, the facility limit was A\$140.9 million (€100.0 million) and the facility expires on 6 June 2015.

7. At 30 June 2013, the facility limits were A\$67.4 million (US\$62.5 million) that expires on 30 April 2015 and A\$55.0 million (¥5.04 billion) that expires on 30 April 2016.

8. At 30 June 2013, the facility limit was A\$150.0 million and the facility expires on 29 June 2015.

9. At 30 June 2013, the facility limit was A\$154.8 million (£94.0 million) and the facility expires on 13 May 2016.

10. At 30 June 2013, the facility limit was A\$105.3 million (NZ\$125.0 million) and the facility expires on 15 May 2015.

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.

17 Interest bearing liabilities continued

(a) Bank loans, unsecured continued

In addition to the above facilities, the Consolidated Entity had the following unsecured bank facilities that had not been drawn as at 30 June 2013:

- + an A\$100.0 million facility that expires on 1 February 2015;
- + an A\$50.0 million facility that expires on 18 July 2016;
- + an A\$32.3 million (US\$30.0 million) facility that expires on 21 December 2015;
- + an A\$40.3 million (US\$37.5 million) facility that expires on 21 December 2015;
- + an A\$37.5 million facility that expires on 21 December 2015; and
- + an A\$50.0 million facility that expires on 21 December 2015.

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$411.7 million (2012: A\$382.9 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 2013 was A\$524.9 million (2012: A\$482.1 million).

(c) United States senior notes, unsecured

As at 30 June 2013, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$350.4 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\$539.1 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\$539.1 million (US\$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued at a fixed coupon of 6.0% payable semi-annually.

(d) Foreign private placements, unsecured

As at 30 June 2013, the Consolidated Entity had the following unsecured foreign private placements:

- + A\$38.1 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$136.4 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	
	2013 Facilities available \$M	2012 Facilities utilised \$M
At 30 June 2013		
Bank loans, unsecured	1,496.6	263.0
Euro medium-term notes, unsecured	411.7	411.7
United States senior notes, unsecured	1,428.6	1,428.6
Foreign private placements, unsecured	174.5	174.5
Bank guarantees ¹	–	33.1
	3,511.4	2,310.9
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

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

Notes to the consolidated financial statements

Continued

18 Employee benefits

	Note	Consolidated	
		2013 \$M	2012 \$M
Aggregate liability for employee benefits including on-costs			
Current			
Annual leave		5.4	4.9
Long service leave		1.5	1.1
Other employee benefits provision		46.0	38.4
		52.9	44.4
Non-current			
Long service leave		1.7	1.8
Defined benefit pension obligation	18(a)	23.9	31.9
Other employee benefits provision		3.1	–
		28.7	33.7

(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 the statement of comprehensive income.

	2013 \$M	2012 \$M
Change in benefit obligation		
Benefit obligation at the beginning of the year	67.8	58.5
Current service cost	0.4	0.4
Interest cost	2.9	3.3
Actuarial losses	2.8	5.8
Members' contributions	0.1	0.1
Curtailements or settlements	(0.2)	–
Benefits paid	(0.6)	(1.4)
Effect of foreign currency translation	5.3	1.1
Benefit obligation at the end of the year	78.5	67.8
Analysis of defined benefit obligation		
Funds that are wholly or partly funded	78.5	67.8
Change in fund assets		
Fair value of fund assets at the beginning of the year	35.9	42.0
Expected return on fund assets	1.6	2.5
Actuarial gains/(losses)	12.5	(9.9)
Employer contributions	2.1	1.9
Members' contributions	0.1	0.1
Curtailements or settlements	–	(0.2)
Benefits paid	(0.6)	(1.4)
Effect of foreign currency translation	3.0	0.9
Fair value of fund assets at the end of the year	54.6	35.9
Funding deficit at the end of the year	23.9	31.9
Net liability recognised at the end of the year	23.9	31.9
Components of pension cost		
Current service cost	0.4	0.4
Interest cost	2.9	3.3
Expected return on fund assets	(1.6)	(2.5)
Other	0.8	1.6
Total pension cost recognised in the income statement	2.5	2.8
Actuarial gains/(losses) recognised in equity	9.7	(15.7)
Less: Deferred tax (expense)/benefit	(2.8)	3.3
Net actuarial gains/(losses) recognised in equity	6.9	(12.4)

18 Employee benefits continued

(a) Defined benefit pension obligation continued

Fund assets

The actual return on fund assets during the financial year was a \$6.2 million gain (2012: \$0.3 million loss). The weighted average asset allocation at the end of the financial year was as follows:

	2013 %	2012 %
Equities	65.8	58.0
Cash	7.8	14.0
Bonds	26.4	28.0
	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.

	2013 % per annum	2012 % per annum
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.30	4.30
Rate of compensation increase	–	–
Weighted average assumptions used to determine total pension cost		
Discount rate	4.30	4.30
Expected long-term return on fund assets	4.40	3.80
Rate of benefit increase	3.20	2.80
Rate of compensation increase	–	–

Historical information	2013	2012	2011	2010	2009
Benefit obligation at the end of the year (\$M)	(78.5)	(67.8)	(58.5)	(64.2)	(52.4)
Fair value of fund assets at the end of the year (\$M)	54.6	35.9	42.0	42.2	49.1
Funding deficit (\$M)	(23.9)	(31.9)	(16.5)	(22.0)	(3.3)
Difference between expected and actual return on fund assets					
Amount (\$M)	4.0	(2.8)	4.0	3.1	(11.5)
Percentage of fund assets (%)	9.0	6.6	9.9	8.8	25.9
Experience (losses)/gains on fund liabilities					
Amount (\$M)	(0.2)	1.8	(1.8)	(11.2)	0.3
Percentage of fund liabilities (%)	(0.2)	2.7	3.2	18.9	0.6

Notes to the consolidated financial statements

Continued

18 Employee benefits continued

(b) Share based payments

The Consolidated Entity provides equity based remuneration through the issue of securities under the LTIP. Under the LTIP Goodman can offer performance rights (sometimes known as zero priced options) to its employees.

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

	Consolidated	
	2013 \$M	2012 \$M
Share based payments expense:		
– Equity settled	20.9	22.8
– Cash settled	5.5	1.6
	26.4	24.4

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 2013, a liability of \$7.0 million (2012: \$2.7 million) was recognised in relation to cash settled performance rights.

Details of the Consolidated Entity's LTIP are set out below.

Long Term Incentive Plan

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

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 are subject to the following broad terms:

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

18 Employee benefits continued

(b) Share based payments continued

Long Term Incentive Plan continued

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

	Number of rights	
	2013	2012
Outstanding at the beginning of the year	29,996,683	18,579,948
Granted	13,159,447	12,380,368
Exercised	(2,409,834)	–
Forfeited	(1,913,144)	(963,633)
Outstanding at the end of the year	38,833,152	29,996,683
Exercisable at the end of the year	–	–

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

	Rights issued on 16 Nov 2012	Rights issued on 12 Oct 2012
Fair value at measurement date (\$)	3.37	3.15
Security price (\$)	4.49	4.13
Exercise price (\$)	–	–
Expected volatility (%)	27.0	27.0
Rights expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	4.32	4.70
Average risk free rate of interest per annum (%)	3.2	3.2

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/distribution yield.

Notes to the consolidated financial statements

Continued

19 Provisions

Consolidated	Distributions to Security-holders \$M	Onerous contracts \$M	Rental guarantees \$M	Total \$M
Balance at the beginning of the year	144.5	9.9	1.9	156.3
Provisions made	243.7	4.4	–	248.1
Provisions used	(310.7)	(1.4)	(0.4)	(312.5)
Effect of foreign currency translation	–	0.6	0.2	0.8
Balance at the end of the year	77.5	13.5	1.7	92.7
Analysed as:				
Current	77.5	3.5	0.2	81.2
Non-current	–	10.0	1.5	11.5
	77.5	13.5	1.7	92.7

Onerous contracts

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

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

Onerous 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 and JVEs) under the terms of asset disposal contracts.

20 Issued capital

	2013 Number of securities	2012	2013 \$M	2012 \$M
Stapled securities – issued and fully paid	1,713,233,947	1,605,107,475	7,965.1	7,516.0
Less: Accumulated issue costs			(160.3)	(152.6)
Total issued capital			7,804.8	7,363.4

Terms and conditions

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

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

20 Issued capital continued

Movement of ordinary securities

Date	Details	Number of securities	Issue price \$	GL \$M	GIT \$M	GLHK \$M	Security-holders \$M
1 Jul 2011	Opening balance	1,471,656,986		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	2.20	4.5	145.5	–	150.0
2 Apr 2012	Disposal of treasury securities	7,264,495	3.52	25.6	–	–	25.6
2 Apr 2012	Securities issued under the Security Purchase Plan	2,383,468	3.25	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	2.25	8.7	116.3	–	125.0
30 Jun 2012	Balance before accumulated issue costs	1,605,107,475		423.5	7,092.5	–	7,516.0
22 Aug 2012	In specie capital distribution of interests in GLHK shares ¹	–	–	–	(561.8)	561.8	–
3 Sep 2012	Securities issued to employees under the Long Term Incentive Plan	2,409,834	–	–	–	–	–
19 Oct 2012	Securities issued to employees under the Goodman Tax Exempt Plan	46,295	–	–	–	–	–
15 Nov 2012	Securities issued under the Institutional Placement	94,117,700	4.25	40.0	320.0	40.0	400.0
19 Dec 2012	Securities issued under the Security Purchase Plan	11,552,643	4.25	4.9	39.3	4.9	49.1
30 Jun 2013	Balance						
	Less: Accumulated issue costs	–		(11.4)	(148.3)	(0.6)	(160.3)
30 Jun 2013	Closing balance	1,713,233,947		457.0	6,741.7	606.1	7,804.8

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

Movement in treasury securities

Date	Details	Number of securities	Issue price \$	GL \$M	GIT \$M	GLHK \$M	Security-holders \$M
1 Jul 2011	Opening balance	7,264,495	–	–	–	–	–
2 Apr 2012	Disposal of treasury securities	(7,264,495)	–	–	–	–	–
30 Jun 2012	Balance	–		–	–	–	–
30 Jun 2013	Closing balance	–		–	–	–	–
30 Jun 2013	Issued capital	1,713,233,947		457.0	6,741.7	606.1	7,804.8

Notes to the consolidated financial statements

Continued

21 Reserves

	Note	Consolidated	
		2013 \$M	2012 \$M
Asset revaluation reserve	21(a)	(1,225.0)	(1,384.9)
Cash flow hedge reserve	21(b)	(12.7)	(27.0)
Foreign currency translation reserve	21(c)	(450.8)	(790.8)
Capital profits reserve ¹	21(d)	–	(172.8)
Employee compensation reserve	21(e)	52.4	26.1
Defined benefit funds actuarial losses reserve	21(f)	(18.4)	(23.6)
Total reserves		(1,654.5)	(2,373.0)

1. In prior periods, unrealised gains or losses on properties included in the asset revaluation reserve were transferred to the capital profits reserve on disposal. From 1 July 2012, the Consolidated Entity has amended its practice such that on disposal of properties any previously unrealised gains or losses are now transferred from the asset revaluation reserve to accumulated losses/retained earnings. Accordingly, the balance of the capital profits reserve at 1 July 2012 has been transferred to accumulated losses.

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 in GLHK and their unitholding in GIT:

	GL		GIT		GLHK		Securityholders	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
(a) Asset revaluation reserve								
Balance at the beginning of the year	(296.7)	(275.0)	(1,088.2)	(1,207.3)	–	–	(1,384.9)	(1,482.3)
Decrease due to revaluation of other financial assets	(1.5)	–	(0.3)	(1.9)	–	–	(1.8)	(1.9)
Transfers to capital profits reserve	–	27.7	–	58.9	–	–	–	86.6
Transfers to/from (accumulated losses)/retained earnings	114.1	(46.1)	126.9	48.0	(10.5)	–	230.5	1.9
Effect of foreign currency translation	(22.4)	(3.3)	(46.4)	14.1	–	–	(68.8)	10.8
Balance at the end of the year	(206.5)	(296.7)	(1,008.0)	(1,088.2)	(10.5)	–	(1,225.0)	(1,384.9)

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

(b) Cash flow hedge reserve								
Balance at the beginning of the year	(0.4)	(2.5)	(26.6)	(61.8)	–	–	(27.0)	(64.3)
Change in value of financial instruments	–	–	8.3	5.4	–	–	8.3	5.4
Transfers to the income statement	0.4	2.2	7.7	29.0	–	–	8.1	31.2
Effect of foreign currency translation	(0.1)	(0.1)	(2.0)	0.8	–	–	(2.1)	0.7
Balance at the end of the year	(0.1)	(0.4)	(12.6)	(26.6)	–	–	(12.7)	(27.0)

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

(c) Foreign currency translation reserve								
Balance at the beginning of the year	(48.8)	(28.5)	(742.0)	(713.2)	–	–	(790.8)	(741.7)
Transfers to the income statement	(13.3)	(0.6)	–	8.1	–	–	(13.3)	7.5
Net exchange differences on conversion of foreign operations	35.7	(19.7)	245.0	(36.9)	72.6	–	353.3	(56.6)
Balance at the end of the year	(26.4)	(48.8)	(497.0)	(742.0)	72.6)	–	(450.8)	(790.8)

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

(d) Capital profits reserve								
Balance at the beginning of the year	(1.2)	32.7	(171.6)	(110.7)	–	–	(172.8)	(78.0)
Transfers from asset revaluation reserve	–	(27.7)	–	(58.9)	–	–	–	(86.6)
Transfers to (accumulated losses)/ retained earnings	1.2	(3.2)	183.6	–	–	–	184.8	(3.2)
Effect of foreign currency translation	–	(3.0)	(12.0)	(2.0)	–	–	(12.0)	(5.0)
Balance at the end of the year	–	(1.2)	–	(171.6)	–	–	–	(172.8)

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

21 Reserves continued

	GL		GIT		GLHK		Securityholders	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
(e) Employee compensation reserve								
Balance at the beginning of the year	26.1	2.2	–	–	–	–	26.1	2.2
Transfers between GL and GIT	(34.3)	–	34.3	–	–	–	–	–
Equity settled share based transactions	(2.2)	22.8	22.1	–	1.0	–	20.9	22.8
Transfers to (accumulated losses)/retained earnings	12.8	1.1	(7.4)	–	–	–	5.4	1.1
Balance at the end of the year	2.4	26.1	49.0	–	1.0	–	52.4	26.1

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

(f) Defined benefit funds actuarial losses reserve

Balance at the beginning of the year	(23.6)	(10.9)	–	–	–	–	(23.6)	(10.9)
Actuarial gains/(losses), net of tax	6.9	(12.4)	–	–	–	–	6.9	(12.4)
Effect of foreign currency translation	(1.7)	(0.3)	–	–	–	–	(1.7)	(0.3)
Balance at the end of the year	(18.4)	(23.6)	–	–	–	–	(18.4)	(23.6)

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

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, their unitholding in GIT and their CDI in shares of GLHK:

	GL ¹		GIT		GLHK		Securityholders	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Balance at the beginning of the year	8.9	(334.3)	(143.5)	95.0	–	–	(134.6)	(239.3)
Profit for the year	128.5	294.4	18.6	113.9	13.9	–	161.0	408.3
Transfers to/from asset revaluation reserve	(114.1)	46.1	(126.9)	(48.0)	10.5	–	(230.5)	(1.9)
Transfers from capital profits reserve	(1.2)	3.2	(183.6)	–	–	–	(184.8)	3.2
Transfers from employee compensation reserve	(12.8)	(1.1)	7.4	–	–	–	(5.4)	(1.1)
Transfers from non-controlling interests ²	–	–	(8.1)	(20.7)	–	–	(8.1)	(20.7)
Distributions declared	–	0.6	(243.7)	(283.7)	–	–	(243.7)	(283.1)
Balance at the end of the year	9.3	8.9	(679.8)	(143.5)	24.4	–	(646.1)	(134.6)

1. In the Parent Entity, the current year profits have been transferred to a profits reserve from which future dividends can be paid to Securityholders (refer to note 32). For the purpose of the Consolidated Entity's financial statements this profits reserve is included within (accumulated losses)/retained earnings.

2. Issue costs previously incurred on the issue of Goodman PLUS have been transferred to retained earnings/accumulated losses following amendments to the terms of the hybrid securities (refer to note 23).

Notes to the consolidated financial statements

Continued

23 Other non-controlling interests

At 30 June 2013, other non-controlling interests comprise Goodman PLUS. The movement in other non-controlling interests was as follows:

	Consolidated	
	2013 \$M	2012 \$M
Balance at the beginning of the year	318.8	573.1
Conversion of preference securities issued to CIC	–	(275.0)
Transfers to (accumulated losses)/retained earnings on modification of Goodman PLUS	8.1	20.7
Issue costs arising on modification of Goodman PLUS	(1.0)	–
Profit attributable to non-controlling interests	22.3	42.2
Distributions paid to non-controlling interests	(16.7)	(42.2)
Balance at the end of the year	331.5	318.8

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.

On 26 September 2012, the terms of the Goodman PLUS were amended in response to market conditions. The key amendments, which came into effect on 27 September 2012, are as follows:

- + distributions under the Goodman PLUS increased from a margin of 1.90% to a margin of 3.90% over the three month Bank Bill Swap Rate;
- + a step up margin of 0.25% will apply if the Goodman PLUS are not repurchased, exchanged or successfully remarketed on or before 30 September 2022. The first remarketing date under the amended terms is 31 December 2017 and thereafter every five years;
- + a final step up margin of 0.75% per annum will apply if the Goodman PLUS are not repurchased or exchanged on or before 31 December 2038; and
- + Goodman PLUS holders will have the right to require Goodman PLUS Trust to elect to repurchase or exchange the Goodman PLUS on 31 December 2073.

The non-controlling interest balance is net of issue costs and includes a distribution of \$5.6 million for the period ended 30 June 2013 that was paid on 1 July 2013.

24 Acquisition of business

On 26 March 2013, the Consolidated Entity acquired the remaining 50% of Goodman Japan Sub-Holdings Pte Limited (formerly Macquarie Goodman Japan Pte Limited) (GJSH) increasing its equity interest to 100%. Up until 26 March 2013, GJSH was a joint venture entity of Goodman and is the immediate parent of Goodman Japan Limited (GJL), which undertakes fund management and development of logistics properties.

The transaction will allow the Consolidated Entity to focus on the growth of the Japan business and also resulted in GJL reducing its holding in GJCF TMKs to 30.9%.

In the three months ended 30 June 2013, GJL contributed revenue of A\$4.4 million and profit before tax of A\$5.2 million to the results of the Consolidated Entity. However, if the acquisition had occurred on 1 July 2012, management estimates that there would have been no material impact on consolidated revenue and profit before tax would have been \$7.3 million higher.

The following summarises the consideration transferred and the net assets acquired:

Consideration

	2013 \$M
Cash	31.4
Units in Goodman Japan Core Fund ¹	40.5
Total consideration	71.9

1. The fair value of the units in Goodman Japan Core Fund was based on the net assets of the fund at 28 February 2013.

The acquisition of the remaining 50% interest in GJSH resulted in a cash outflow of \$17.6 million, comprising the consideration paid in cash of \$31.4 million, cash acquired of \$15.1 million and external transaction costs of \$1.3 million.

Identifiable assets acquired and liabilities assumed:

	2013 \$M
Investments in associates and JVEs ²	103.9
Receivables	16.9
Cash	15.1
Payables	(8.3)
Total net identifiable assets	127.6

2. Includes GJL's investment in both GJCF TMKs and GJDP.

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	2013 \$M
Total consideration transferred	71.9
Fair value of pre-existing interest in GJSH	70.9
Fair value of identifiable net assets	(127.6)
Total goodwill recognised	15.2

The re-measurement to fair value of the Consolidated Entity's existing 50% interest in GJSH resulted in a loss of A\$0.3 million which has been included as part of the loss on disposal of equity investments. This loss is net of the amount recycled through the income statement from the foreign currency translation reserve and costs.

The goodwill is attributable to the synergies that are expected to be derived from integrating the business into the Goodman platform.

Goodman has incurred costs of \$3.3 million in respect of the acquisition.

Notes to the consolidated financial statements

Continued

25 Commitments

	Consolidated	
	2013 \$M	2012 \$M
Capital expenditure commitments		
Contracted but not provided for and payable:		
– Within one year	21.0	30.6
– One year or later and no later than five years	3.4	2.4
– Later than five years	–	–
	24.4	33.0
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
– Within one year	13.8	12.2
– One year or later and no later than five years	34.5	30.3
– Later than five years	17.7	20.9
	66.0	63.4

At 30 June 2013, the Consolidated Entity was also committed to the following expenditure in respect of development activities:

- + \$80.0 million (2012: \$98.7 million) on inventories;
- + \$58.2 million (2012: \$11.8 million) on construction contracts; and
- + \$136.1 million (2012: \$36.4 million) on funding for developments in JVEs. This amount includes \$112.6 million to fund potential development sites in WTGoodman, a 50/50 logistics and industrial property JVE in Brazil.

Acquisition of investment properties

Amounts contracted for the acquisition of investment properties not provided for at 30 June 2013 are \$nil (2012: \$nil).

Commitment to invest in funds managed by Goodman

At 30 June 2013, subject to amounts being called by the relevant fund board or committee, the Consolidated Entity was committed to invest:

- + A\$123.4 million (2012: A\$nil) into GJDP, being Goodman's share of the uncalled equity commitment agreed with the joint venture partner on 10 September 2012;
- + A\$92.1 million (2012: A\$58.0 million) into GCLHL to fund property acquisitions; and
- + A\$435.0 million (2012: A\$nil) into GNAF to fund property acquisitions.

At 30 June 2013, the Consolidated Entity was committed to underwrite GAIF's distribution reinvestment plan for the quarters ending 30 June 2013, 30 September 2013 and 31 December 2013 to a maximum of \$175.1 million in equity for GAIF.

At the end of the prior financial year, the Consolidated Entity was committed to invest A\$82.1 million into GELF, being Goodman's share of the uncalled amount of the rights issue that was finalised in November 2011. This was called and paid during the current financial year.

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

Non-cancellable operating lease receivables from investment property customers

	Consolidated	
	2013 \$M	2012 \$M
Non-cancellable operating lease commitments receivable:		
– Within one year	141.0	177.9
– One year or later and no later than five years	318.3	476.7
– Later than five years	74.7	178.1
	534.0	832.7

26 Notes to the consolidated cash flow statement

(a) Reconciliation of cash

For the purpose of the consolidated 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 consolidated cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2013 \$M	2012 \$M
Cash assets	645.4	310.8

(b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	Consolidated	
	2013 \$M	2012 \$M
Profit for the year	183.3	450.5
Items classified as investing		
Net gain on disposal of investment properties	(12.9)	(14.3)
Net gain on disposal of controlled entities	(12.1)	(19.9)
Non-cash items		
Amortisation and depreciation	6.7	5.3
Share based payments expense	26.4	24.6
Net gain on fair value adjustments on investment properties	(28.0)	(6.5)
Impairment losses	65.4	89.5
Share of net results of equity accounted investments	(228.8)	(166.6)
Net finance expense/(income)	303.7	(58.6)
Income tax expense	15.9	9.7
Operating profit before changes in working capital and provisions	319.6	313.7
Changes in assets and liabilities during the year:		
– Increase in receivables	(96.2)	(11.2)
– Increase in inventories	(69.8)	(124.5)
– Decrease/(increase) in other assets	140.1	(7.1)
– Decrease in payables	(72.9)	(3.2)
– (Decrease)/increase in provisions	(4.8)	14.6
	216.0	182.3
Dividends/distributions received from equity accounted investments	169.3	121.9
Net finance costs paid	(22.7)	(33.0)
Net income taxes paid	(6.5)	(4.4)
Net cash provided by operating activities	356.1	266.8

(c) Non-cash transactions

In the current financial year, the Consolidated Entity:

- + received its distributions from GTA of \$9.6 million in the form of units in the fund;
- + disposed of its entire interest in HDL for a consideration of \$54.6 million. This consideration was received in the form of units in GMT, of which \$24.8 million was deferred; and
- + acquired the remaining 50% of GJSH increasing its equity interest to 100%. The purchase consideration included units in the Goodman Japan Core Fund amounting to \$40.5 million (refer to note 24).

In the prior financial year, the Consolidated Entity:

- + issued \$275.0 million of stapled securities on conversion of preference securities by CIC; and
- + received distributions of \$9.7 million from GMT in the form of units under its distribution reinvestment plans.

Notes to the consolidated financial statements

Continued

27 Controlled entities

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

Significant controlled companies	Country of incorporation/establishment
Goodman Australia Finance Pty Limited	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Funds Management Australia Limited	Australia
Goodman Funds Management Limited	Australia
Goodman Industrial Funds Management Limited	Australia
Goodman Industrial Trust	Australia
Goodman PLUS Trust	Australia
Goodman Property Services (Aust) Pty Limited	Australia
Goodman Treasury Trust	Australia
Goodman Management Services (Belgium) NV	Belgium
GJDP Limited	Cayman Islands
Goodman China Asset Management Limited	Cayman Islands
MGI HK Finance	Cayman Islands
Goodman Management Consulting (Shanghai) Co. Ltd	China
Goodman France Sàrl	France
Goodman Germany GmbH	Germany
GFM Hong Kong Limited	Hong Kong
Goodman Asia Limited	Hong Kong
Goodman China Limited	Hong Kong
Goodman Logistics (HK) Limited	Hong Kong
GPS Hong Kong Limited	Hong Kong
Goodman Japan Limited	Japan
Goodman Finance (Jersey) Limited	Jersey
GELF Management (Lux) Sàrl	Luxembourg
GJL Management Lux Sàrl	Luxembourg
Goodman Europe (Lux) SA	Luxembourg
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Property Opportunities (Lux) Sàrl I	Luxembourg
GPO Advisory (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman (NZ) Limited	New Zealand
Goodman Property Services (NZ) Limited	New Zealand
Goodman Poland Sp. Z o.o.	Poland
Goodman Funding Singapore Pte Limited	Singapore
Goodman Business Services (UK) Limited	United Kingdom
Goodman Development Management (UK) Limited	United Kingdom
Goodman Logistics Developments (UK) Limited	United Kingdom
Goodman Operator (UK) Limited	United Kingdom
Goodman Real Estate Adviser (UK) Limited	United Kingdom
Goodman Birtcher North America LLC	United States
Goodman Birtcher Development Management LLC	United States
Goodman Birtcher Investments GP LLC	United States
Goodman Birtcher North America Management LLC	United States

28 Interest in joint venture operation

The Consolidated Entity participates equally in a joint venture operation with Austral Brick Co Pty Limited 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	
	2013 \$M	2012 \$M
Statement of financial position		
Trade receivables	6.8	1.1
Inventories	17.3	16.6
Payables	(24.7)	(20.6)
Net liabilities	(0.6)	(2.9)
Contribution to profit		
Revenue from disposal of inventories	6.5	11.4
Inventory cost of sales	(7.3)	(10.3)
(Loss)/profit after tax	(0.8)	1.1

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

Key management personnel compensation

The key management personnel compensation totals are as follows:

	Consolidated		Goodman Limited ¹	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Short-term employee benefits	16.6	16.8	–	–
Post-employment benefits	0.2	0.2	–	–
Equity compensation benefits	7.7	7.6	–	–
Long-term employee benefits	–	0.1	–	–
	24.5	24.7	–	–

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.

Notes to the consolidated financial statements

Continued

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 movement during the current financial year in the number of performance rights held, directly or beneficially, by key management personnel, including their related parties, was as follows:

	Year	Held at the start of the year ¹	Granted as compensation	Vested	Held at the end of the year	Vested during the year
Executive Directors						
Mr Gregory Goodman	2013	2,490,770	927,152	(260,000)	3,157,922	260,000
	2012	1,510,770	980,000	–	2,490,770	–
Mr Anthony Rozic	2013	1,520,834	463,576	(173,611)	1,810,799	173,611
	2012	1,000,834	520,000	–	1,520,834	–
Mr Philip Pearce	2013	583,014	298,013	(76,389)	804,638	76,389
	2012	383,014	200,000	–	583,014	–
Mr Danny Peeters	2013	1,554,436	463,576	(184,812)	1,833,200	184,812
	2012	1,034,436	520,000	–	1,554,436	–
Executives						
Mr Nick Kurtis	2013	1,520,834	463,576	(173,611)	1,810,799	173,611
	2012	1,000,834	520,000	–	1,520,834	–
Mr Nick Vrondas	2013	1,070,367	397,351	(138,889)	1,328,829	138,889
	2012	710,367	360,000	–	1,070,367	–
Mr Jason Little	2013	593,750	231,788	(64,583)	760,955	64,583
	2012	393,750	200,000	–	593,750	–

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

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

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

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, was as follows:

	Year	Held at the start of the year ¹	Securities issued on vesting of performance rights	Acquisitions	Disposals ²	Held at the end of the year
Non-Executive Directors						
Mr Ian Ferrier	2013	102,577	–	19,918	–	122,495
	2012	75,575	–	27,002	–	102,577
Mr Philip Fan	2013	2,954	–	6,489	–	9,443
	2012	–	–	2,954	–	2,954
Mr John Harkness	2013	69,841	–	10,133	–	79,974
	2012	59,731	–	10,110	–	69,841
Ms Anne Keating	2013	60,974	–	3,059	–	64,033
	2012	60,974	–	–	–	60,974
Ms Rebecca McGrath	2013	–	–	7,506	–	7,506
	2012	–	–	–	–	–
Mr Phillip Pryke	2013	108,232	–	–	–	108,232
	2012	108,232	–	–	–	108,232
Mr Jim Sloman	2013	61,394	–	9,436	–	70,830
	2012	51,693	–	9,701	–	61,394
Executive Directors						
Mr Gregory Goodman	2013	45,076,923	260,000	3,059	(260,000)	45,079,982
	2012	46,268,121	–	–	(1,191,198)	45,076,923
Mr Anthony Rozic	2013	–	173,611	–	(173,611)	–
	2012	546,700	–	–	(546,700)	–
Mr Philip Pearce	2013	40,738	76,389	–	(80,000)	37,127
	2012	40,738	–	–	–	40,738
Mr Danny Peeters	2013	600,000	184,812	–	(200,000)	584,812
	2012	1,008,688	–	–	(408,688)	600,000
Executives						
Mr Nick Kurtis	2013	3,591	173,611	–	(173,611)	3,591
	2012	536,700	–	3,591	(536,700)	3,591
Mr Nick Vrontas	2013	40,000	138,889	–	(138,889)	40,000
	2012	280,000	–	–	(240,000)	40,000
Mr Jason Little	2013	–	64,583	–	–	64,583
	2012	227,800	–	–	(227,800)	–

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. Disposals in the prior year include the Employee Share Acquisition Plan securities held, directly or beneficially, by key management personnel that were sold during the prior financial year.

Notes to the consolidated financial statements

Continued

29 Related parties continued

Movement in hybrid securities issued by Goodman PLUS Trust

Certain key management personnel hold, directly or beneficially Goodman PLUS. The movement during the financial year in the number of securities held by those key management personnel, including their related parties, was as follows:

	Year	Held at the start of the year	Acquisitions	Disposals	Held at the end of the year
Executives					
Mr Anthony Rozic	2013	1,000	–	–	1,000
	2012	1,000	–	–	1,000
Mr Nick Vrondas	2013	120	–	–	120
	2012	120	–	–	120

None of the other key management personnel had any interests in Goodman PLUS.

Transactions with key management personnel and their related entities

Goodman Holdings Group

Mr Gregory Goodman is a director of and a shareholder in Goodman Holdings Group.

Moorabbin Airport and Business Park

In May 2011, Goodman completed the acquisition of the leasehold interest in Moorabbin Airport and Business Park, 66.67% of which was acquired from Goodman Holdings Group. The consideration to Goodman Holdings Group included the issue of 45,076,923 stapled securities to the vendors which have been held in escrow. On 24 May 2013, one third of those securities were released from escrow and the remainder will be held in escrow until 24 May 2016. The consideration also included cash of A\$35.0 million which will be held in escrow until 24 May 2014.

Transactions with associates and JVEs

The 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	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Associates	33.3	34.2	242.9	179.5	0.1	2.4
JVEs	313.2	211.9	17.5	6.2	5.8	3.3

29 Related parties continued

Transactions with associates and JVEs continued

Amounts due from associates and JVEs at 30 June 2013 were as follows:

	Amounts due from related parties ¹		Loans provided by Goodman ²	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Associates				
GAIF	6.4	21.8	—	—
GADF	0.2	7.0	—	—
GTA	3.9	1.4	—	—
GMT	3.0	3.0	—	—
GHKLF	3.3	2.2	—	—
GCLHL	—	—	110.6	40.1
GJCF TMKs	1.9	—	—	—
GELF	22.0	20.5	8.8	29.6
ABPP	4.2	31.0	—	—
	44.9	86.9	119.4	69.7
JVEs				
Huntingwood East	—	—	8.5	14.5
Üllő One 2008 Kft	—	—	5.9	7.2
Üllő Two 2008 Kft	—	—	1.9	3.2
BL Goodman LLP	—	—	9.3	12.6
Other JVEs	2.6	0.6	12.1	28.5
	2.6	0.6	37.7	66.0

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 2013, 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 \$8.8 million (2012: \$29.6 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 incurred interest at 6.0% 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 \$2.2 million (2012: \$3.2 million) and received distributions of A\$1.9 million (2012: \$3.3 million). At 30 June 2013, Goodman was owed \$4.9 million (2012: \$3.8 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 \$15.3 million.

Notes to the consolidated financial statements

Continued

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.

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

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

Notes to the consolidated financial statements

Continued

30 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

At 30 June 2013, Goodman's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Goodman has entered into both USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2013			2012		
CCIRS: USD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate USD/LC	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate USD/LC
EUR payable						
Over 5 years	(376.7)	525.0	0.7175	(531.2)	735.0	0.7228
	(376.7)	525.0		(531.2)	735.0	
GBP payable						
Over 5 years	(221.8)	355.0	0.6247	(255.7)	410.0	0.6237
	(221.8)	355.0		(255.7)	410.0	

	2013			2012		
CCIRS: JPY receivable Expiry by currency	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP
GBP payable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	11,300.0		(85.9)	11,300.0	

Additionally, the Consolidated Entity may enter into forward foreign exchange contracts to hedge a proportion of the income received/receivable from its investments denominated in overseas currencies. Goodman has no foreign exchange contracts in place at 30 June 2013, but details of contracts that were in place at the end of the prior financial year are set out below:

	2013			2012		
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
NZD payable	by 30 Jun 2013	-	-	by 30 Jun 2013	4.2	1.1932
HKD payable	by 30 Jun 2013	-	-	by 30 Jun 2013	12.8	4.9077

Sensitivity analysis

At 30 June 2013, if the Australian dollar had strengthened by 5% (2012: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Securityholders would have increased by A\$7.7 million (2012: A\$3.3 million decrease). If the Australian dollar had weakened by 5% (2012: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Securityholders would have decreased by A\$8.5 million (2012: A\$3.7 million increase).

30 Financial risk management continued

(a) Market risk continued

Interest rate risk

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

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2013, are set out below:

	Interest bearing liabilities \$M	Impact of derivatives CCIRS ¹ \$M	IRS \$M	Net interest rate exposure \$M
30 June 2013				
Fixed rate liabilities	1,976.7	(1,072.1)	929.7	1,834.3
Floating rate liabilities	273.1	1,129.6	(929.7)	473.0
	2,249.8	57.5	-	2,307.3
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

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 2013, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

	2013		2012	
Number of years post balance date	Notional principal A\$M	Average interest rate % pa	Notional principal A\$M	Average interest rate % pa
1 year	2,110.4	4.87	2,090.3	4.48
2 years	1,889.9	4.91	2,083.3	4.50
3 years	1,575.4	5.76	1,873.0	4.64
4 years	1,205.4	6.70	1,212.0	5.98
5 years	1,005.7	7.26	760.6	7.63

Sensitivity analysis

At 30 June 2013, if interest rates on borrowings had been 100 basis points per annum (2012: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Securityholders for the financial year would have been A\$0.2 million lower/higher (2012: A\$0.1 million).

Price risk

The Consolidated Entity is not exposed to price risk.

Notes to the consolidated financial statements

Continued

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 2013								
Non-derivative financial liabilities								
Payables	345.7	358.1	267.3	24.8	11.0	19.4	16.2	19.4
Bank loans, unsecured ¹	235.0	291.0	–	175.8	91.5	0.7	–	23.0
Euro medium-term notes, unsecured	411.7	655.8	78.7	40.3	40.4	40.3	40.3	415.8
United States senior notes, unsecured	1,428.6	2,191.0	108.6	90.3	90.5	90.3	90.3	1,721.0
Foreign private placement, unsecured	174.5	231.3	6.7	5.5	5.5	5.5	5.5	202.6
Total non-derivative financial liabilities	2,595.5	3,727.2	461.3	336.7	238.9	156.2	152.3	2,381.8
Derivative financial liabilities/(assets) – net								
Net settled ²	79.9	85.1	29.2	23.3	14.8	11.0	6.0	0.8
Gross settled ³ :								
(Inflow)	–	(745.0)	(104.0)	(108.9)	(113.9)	(110.5)	(88.0)	(219.7)
Outflow	39.3	776.9	51.0	59.0	104.8	86.5	208.7	266.9
Total derivative financial liabilities/(assets) – net	119.2	117.0	(23.8)	(26.6)	5.7	(13.0)	126.7	48.0

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 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/(assets) – net								
Net settled ²	108.2	98.5	18.9	30.6	24.1	15.9	7.3	1.7
Gross settled ³ :								
(Inflow)	(192.4)	(923.7)	(106.9)	(107.1)	(107.1)	(105.1)	(96.3)	(401.2)
Outflow	–	728.4	60.0	61.5	62.8	86.2	98.0	359.9
Total derivative financial liabilities/(assets) – net	(84.2)	(96.8)	(28.0)	(15.0)	(20.2)	(3.0)	9.0	(39.6)

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

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

3. Gross settled includes CCIRS.

Notes to the consolidated financial statements

Continued

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:

	Note	Carrying amount 2013 \$M	Fair value 2013 \$M	Carrying amount 2012 \$M	Fair value 2012 \$M
Consolidated					
Financial assets					
Cash	26(a)	645.4	645.4	310.8	310.8
Receivables:	8				
– Loans and receivables		527.4	527.4	295.1	295.1
– IRS		16.5	16.5	11.6	11.6
– CCIRS		104.1	104.1	217.1	217.1
– Foreign exchange contracts		–	–	4.9	4.9
Other financial assets:	13				
– Investments in unlisted securities		15.7	15.7	13.6	13.6
		1,309.1	1,309.1	853.1	853.1
Financial liabilities					
Payables:	16				
– Trade payables and other payables and accruals		345.7	345.7	277.8	277.8
– IRS		96.4	96.4	124.7	124.7
– CCIRS		143.3	143.3	24.7	24.7
Interest bearing liabilities ¹	17	2,249.8	2,490.3	2,347.5	2,488.3
		2,835.2	3,075.7	2,774.7	2,915.5

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2013 (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 2013				
Available for sale financial assets	–	–	15.7	15.7
Derivative financial assets	–	120.6	–	120.6
	–	120.6	15.7	136.3
Derivative financial liabilities	–	239.7	–	239.7
	–	239.7	–	239.7
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

The reconciliation of the carrying amount for Level 3 financial instruments is set out below:

	Available for sale financial assets	
	2013 \$M	2012 \$M
Carrying amount at the beginning of the year	13.6	25.7
Additions	2.2	3.3
Impairment loss	(2.0)	(13.8)
Effect of foreign currency translation	1.9	(1.6)
Carrying amount at the end of the year	15.7	13.6

In both the current and prior financial year, Level 3 available for sale financial assets related primarily to GEBPF. The fair value was determined by reference to the net asset value of GEBPF, which incorporated the fair values of investment properties.

Notes to the consolidated financial statements

Continued

31 Auditors' remuneration

	Consolidated	
	2013 \$000	2012 \$000
Audit services		
Auditor of the Company:		
– Audit and review of financial reports (KPMG Australia)	1,145.9	1,154.2
– Audit and review of financial reports (overseas KPMG firms)	793.3	829.0
	1,939.2	1,983.2
Other regulatory services		
– Other regulatory services (KPMG Australia)	36.2	112.4
– Other regulatory services (overseas KPMG firms)	15.3	–
Other assurance services		
– Investigative accounting services (KPMG Australia)	177.1	495.2
– Investigative accounting services (overseas KPMG firms)	194.9	–
Taxation services		
– Taxation compliance services (KPMG Australia)	61.3	204.3
– Taxation compliance services (overseas KPMG firms)	86.4	124.5
– Other taxation advice (KPMG Australia)	151.8	105.3
– Other taxation advice (overseas KPMG firms)	322.2	138.4
	1,045.2	1,180.1
Total paid/payable to KPMG	2,984.4	3,163.3
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	197.5	42.1

32 Parent Entity disclosures

As at, and throughout the financial year ended, 30 June 2013, the parent company of the Consolidated Entity was Goodman Limited.

	2013 \$M	2012 \$M
Result of the Parent Entity		
Profit for the year	178.9	11.3
Other comprehensive income	–	1.4
Total comprehensive income for the year	178.9	12.7
Financial position of the Parent Entity at year end		
Current assets	255.1	547.0
Total assets	971.3	1,090.4
Current liabilities	431.6	734.1
Total liabilities	431.6	736.7
Total equity of the Parent Entity comprising of:		
Issued capital	672.4	628.5
Profits reserve	178.9	–
Employee compensation reserve	2.6	28.7
Accumulated losses	(314.2)	(303.5)
Total equity	539.7	353.7

Parent Entity capital commitments

The Parent Entity has no capital commitments (2012: \$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 to or proceeds for the subscription of equity in, the borrower by the investor. As at 30 June 2013, the Consolidated Entity had A\$263.0 million (2012: A\$506.4 million) of debt which had the benefit of the CDP.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 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 guarantee

Goodman Limited, Goodman Funds Management Limited, as responsible entity of GIT, and Goodman Logistics (HK) Limited, guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS (refer to note 23) under the terms of issue and subscription terms for those securities.

33 Events subsequent to balance date

On 15 August 2013, the Company declared a dividend of 5.2 cents per share to be paid on 26 August 2013.

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

Directors' declaration

Goodman Limited and its Controlled Entities

In the opinion of the directors of Goodman Limited:

- (a) the consolidated financial statements and the notes set out on pages 53 to 125 and the remuneration report that is contained on pages 33 to 47 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 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

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, 15 August 2013



Gregory Goodman
Group Chief Executive Officer

Independent auditor's report

to the members of Goodman Limited



Report on the financial report

We have audited the accompanying financial report of Goodman Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, 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 2013 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 33 to 47 of the Directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Stuart Marshall
Partner

Sydney, 15 August 2013

Consolidated financial report for Goodman Industrial Trust

and its Controlled Entities the year ended 30 June 2013

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Director's 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 2013 and the audit report thereon.

GIT is deemed to be a controlled entity of Goodman Limited (GL). GIT's units are stapled to both shares in GL and CHESSE Depository Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over the ordinary shares in GLHK are quoted as a single security on the Australian Securities Exchange (ASX) as Goodman Group stapled securities.

Directors

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

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

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 133 to 134 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 134 in this Directors' report.

Directors' meetings

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

Directors	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk and Compliance Committee meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Mr Ian Ferrier	11	11	4	4	3	3	–	–
Mr Gregory Goodman	11	11	–	–	–	–	–	–
Mr Philip Fan ²	11	11	3	3	–	–	3	2
Mr John Harkness	11	11	4	4	–	–	4	4
Ms Anne Keating	11	10	–	–	3	3	4	4
Ms Rebecca McGrath ³	11	11	–	–	2	2	3	3
Mr Philip Pearce ⁴	5	4	–	–	–	–	–	–
Mr Danny Peeters ⁴	5	4	–	–	–	–	–	–
Mr Phillip Pryke	11	11	4	4	3	3	–	–
Mr Anthony Rozic ⁴	5	5	–	–	–	–	–	–
Mr Jim Sloman ⁵	11	10	–	–	2	1	4	4

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 was appointed to the Audit Committee and Risk and Compliance Committee on 10 August 2012.

3. Ms Rebecca McGrath was appointed to the Risk and Compliance Committee on 10 August 2012.

4. Mr Philip Pearce, Mr Danny Peeters and Mr Anthony Rozic were appointed as Directors on 1 January 2013.

5. Mr Jim Sloman was appointed to the Remuneration and Nomination Committee on 10 August 2012.

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

Director's report

Continued

Principal activities

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

Restructure of Goodman Group

On 22 August 2012, Goodman Group (Goodman or Group) completed the implementation of an internal restructure to add GLHK to the existing Goodman Group stapled security. Securityholders with a Goodman Group stapled security now hold a CDI over an ordinary share in GLHK, stapled to an ordinary share in Goodman Limited and a unit in Goodman Industrial Trust.

Operating and financial review

Review of operations

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

	Consolidated	
	2013 \$M	2012 \$M
Gross property income	185.5	211.6
Share of net results of equity accounted investments	219.8	155.1
Impairment losses	(112.1)	(252.9)
Profit attributable to Unitholders	18.6	113.9

Value of assets

	Consolidated	
	2013 \$M	2012 \$M
Carrying value of assets	7,753.4	7,985.9

The basis for valuation of assets is disclosed in notes 1 and 2 to the consolidated financial statements.

Property investment

The key drivers (and also risks) for the Consolidated Entity's property investment earnings are maintaining the Consolidated Entity's direct and indirect interest in investment properties, maintaining or increasing occupancy and rental levels within the portfolio, and changes to rent levels.

Gross property income and the share of net results from equity accounted investments increased by 10.5% from \$366.7 million to A\$405.3 million. The increase resulted from organic rental growth and increased investment in managed funds, in line with growth in the Consolidated Entity's assets under management. At 30 June 2013, the Consolidated Entity transferred its investment in Goodman China Logistics Holding Limited (GCLHL) to GLHK.

Underlying property fundamentals were robust during the financial year, with overall occupancy at 30 June 2013 of 96% across the Goodman Group, consistent with the prior year. Goodman Group's weighted average lease expiry across the investment portfolio was 4.7 years. Leasing activity undertaken across Goodman Group's portfolio during the financial year has resulted in 2.9 million square metres of industrial and business space being leased, achieving like-for-like net property income growth of 2.6%.

Goodman Group completed the sale of a number of properties held in its direct investment portfolio and investments in its funds for \$1.4 billion, taking advantage of asset recycling opportunities. This has resulted in a decrease of \$246.9 million from \$2.4 billion to \$2.1 billion in the Consolidated Entity's investment properties held directly on balance sheet. The Consolidated Entity's investments in associates and joint venture entities have increased \$224.0 million from \$2.7 billion to \$2.9 billion, as the reduction in ownership in Goodman Australia Industrial Fund (GAIF) and GCLHL has been offset by investments in KWASA – Goodman Industrial Trust, BGMG1 Oakdale South Trust and Goodman Hong Kong Logistics Fund.

Issued capital

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

	Consolidated	
	2013 M	2012 M
Units on issue at the beginning of the year	1,605.1	1,478.9
Units issued	108.1	126.2
Units on issue at the end of the year	1,713.2	1,605.1

Capital management

Goodman Group's commitment to maintaining a sound financial position was actively demonstrated during the year with the successful completion of its \$449.1 million equity raising and the restructure of the \$327.0 million of Goodman PLUS Trust hybrid securities.

Goodman Group's available liquidity is currently \$1.8 billion and the weighted average debt maturity profile is over five years, with debt maturities fully covered to Financial Year 2019.

Strategy and outlook

Goodman Group's "own+develop+manage" customer service model is intended to allow Goodman to build an in-depth understanding of customer needs and to assist it in providing access to quality information on portfolio performance and market dynamics. Goodman believes its ability to establish a better understanding of its customers' needs allows for better customer management opportunities and enables the Group 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 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 Goodman managed funds) of quality industrial and business space assets, coupled with the Group'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 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 Goodman managed funds. The Group's current strategy is to ensure that the majority of developments are conducted within or for Goodman managed funds.

The Group believes that its ability to recycle capital in this way, coupled with Goodman's ability to utilise third party capital invested in Goodman managed funds, enables it to grow development and investment activity and earnings outside of Goodman's traditional Australian markets. Through cornerstone investments in Goodman managed funds, the 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 aims to secure sources of funding for Goodman managed funds and the Group's joint ventures, allowing for the expansion of the Group's business without needing to fund such expansion entirely with the Group'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 Group is well positioned to achieve solid earnings growth in the year ending 30 June 2014.

Distributions

The total distribution declared to ordinary unitholders of GIT (Unitholders) during the year was 14.2 cents per unit (2012 restated: 18.0 cents per unit). Further details of distributions paid or declared during the year are set out in note 4 to the consolidated financial statements.

Environmental regulations

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

Interests of the Responsible Entity

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

Indemnification and insurance of officers and auditors

The Responsible Entity 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.

Director's report

Continued

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 securities	Number of performance rights
Non-Executive				
Mr Ian Ferrier	122,495	–	122,495	–
Mr Philip Fan	9,443	–	9,443	–
Mr John Harkness	79,974	–	79,974	–
Ms Anne Keating	–	64,033	64,033	–
Ms Rebecca McGrath	–	7,506	7,506	–
Mr Phillip Pryke	–	108,232	108,232	–
Mr Jim Sloman	70,830	–	70,830	–
Executive				
Mr Gregory Goodman	3,059	45,076,923	45,079,982	3,157,922
Mr Philip Pearce	37,127	–	37,127	804,638
Mr Danny Peeters	–	584,812	584,812	1,833,200
Mr Anthony Rozic	–	–	–	1,810,799

At both the date of his appointment as a Director and at 30 June 2013, Mr Anthony Rozic held 1,000 of the perpetual preferred units (Goodman PLUS) issued by Goodman PLUS Trust. None of the other Directors holds any 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 in excess of 40 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of 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 company management, analysing those issues and implementing policies and strategies which lead to a success. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Mr Gregory Goodman – Group Chief Executive Officer

Appointed 17 January 1995

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

Mr Philip Fan – Independent Director

Appointed 1 December 2011

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

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

Mr John Harkness – Independent Director

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 Mertz 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 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), and GI Dynamics, Inc. (since June 2011). Anne was formerly a director of STW Communications Group Limited (from May 1995 to February 2011), ClearView Wealth Limited (November 2010 to October 2012) 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 C.I.M.B Australia, a Governor of the Cerebral Palsy Alliance Research Foundation and was, until May 2012, a trustee for the Centennial Park and Moore Park Trust. Her last executive position was as General Manager, Australia for United Airlines for nine years until 2001.

Ms Rebecca McGrath – Independent Director

Appointed 3 April 2012

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

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

Director's report

Continued

Mr Philip Pearce – Managing Director, Greater China

Appointed 1 January 2013

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

Philip is a director of Goodman Logistics (HK) Limited (appointed in February 2012) and is also a director of a number of Goodman's controlled entities. Philip holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

Mr Danny Peeters – Executive Director, Continental Europe and Brazil

Appointed 1 January 2013

Danny oversees Goodman's European and Brazil operations and is responsible for the management, strategy and development of Goodman's property business. Danny has been with Goodman since 2006 and has 17 years of experience in the property and logistics sectors. Danny is a director of a number of Goodman's controlled entities and was responsible for establishing the Consolidated Entity's investment into Brazil.

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

Mr Phillip Pryke – Independent Director

Appointed 13 October 2010

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

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

Mr Anthony Rozic – Deputy Chief Executive Officer

Appointed 1 January 2013

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

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

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 was the Chief Executive Officer and a Director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. It, and he, advised on major events including the London 2012 Olympic Games and Rio de Janeiro 2016 Olympic Games. Jim is currently working as an advisor to the Qatar 2022 World Cup.

In addition, Jim is Chairman of Laing O'Rourke Australia Pty Limited and of several of its associated companies and a director of ISIS Holdings Pty Limited and of several of its associated companies. 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.

Company Secretary

Mr Carl Bicego – Company Secretary

Appointed 24 October 2006

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

Rights over Goodman Group stapled securities

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

Performance rights

	Number of performance rights granted	Date performance rights granted	% vested in the year	% forfeited	Financial years in which grant vests
Executive Directors					
Mr Gregory Goodman	927,152	16 Nov 12	–	–	2016 – 2018
	980,000	25 Nov 11	–	–	2015 – 2017
	730,770	1 Feb 11	–	–	2014 – 2016
Mr Philip Pearce	780,000	14 May 10	33	–	2013 – 2015
	298,013	16 Nov 12	–	–	2016 – 2018
	200,000	30 Sep 11	–	–	2015 – 2017
Mr Danny Peeters	153,847	1 Feb 11	–	–	2014 – 2016
	229,167	14 May 10	33	–	2013 – 2015
	463,576	12 Oct 12	–	–	2016 – 2018
Mr Anthony Rozic	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
	554,436	14 May 10	33	–	2013 – 2015
	463,576	12 Oct 12	–	–	2016 – 2018
	520,000	30 Sep 11	–	–	2015 – 2017
	480,000	1 Feb 11	–	–	2014 – 2016
	520,834	14 May 10	33	–	2013 – 2015

Unissued securities under option

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

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

Expiry date	Exercise price \$	Number of performance rights ¹	Performance hurdles ²
1 Sep 17	–	12,065,315	Relative TSR ³ (25%) and operating EPS (75%) ⁴
1 Sep 16	–	10,679,864	Relative TSR ³ (25%) and operating EPS (75%) ⁴
1 Sep 15	–	8,030,950	Relative TSR ³ (25%) and operating EPS (75%) ⁴
1 Sep 14	–	5,605,583	Relative TSR ³ (50%) and operating EPS (50%) ⁴

1. 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.

Director's report

Continued

Events subsequent to balance date

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

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

The lead auditor's independence declaration is set out on page 137 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, 15 August 2013



Gregory Goodman
Group Chief Executive Officer

Lead auditor's independence declaration



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013, there have been:

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

A handwritten version of the KPMG logo, with the letters 'KPMG' written in a cursive, slightly slanted style.

KPMG

A handwritten signature in dark ink, appearing to read 'Stuart Marshall'.

Stuart Marshall

Partner

Sydney, 15 August 2013

Consolidated statement of financial position

as at 30 June 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Current assets			
Cash	21(a)	405.1	261.0
Receivables	5	2,092.6	2,050.7
Inventories	6	31.2	9.3
Other assets	7	5.9	112.9
Total current assets		2,534.8	2,433.9
Non-current assets			
Receivables	5	166.3	354.3
Inventories	6	59.0	181.5
Investment properties	8	2,108.8	2,355.7
Investments accounted for using the equity method	9	2,884.5	2,660.5
Total non-current assets		5,218.6	5,552.0
Total assets		7,753.4	7,985.9
Current liabilities			
Deferred income		3.2	7.0
Payables	11	159.6	196.3
Interest bearing liabilities	13	–	42.5
Provisions	12	77.8	145.1
Total current liabilities		240.6	390.9
Non-current liabilities			
Payables	11	305.6	163.5
Interest bearing liabilities	13	2,250.3	2,304.7
Provisions	12	–	1.7
Total non-current liabilities		2,555.9	2,469.9
Total liabilities		2,796.5	2,860.8
Net assets		4,956.9	5,125.1
Equity			
Issued capital	14	6,973.2	7,173.1
Reserves	15	(1,491.6)	(2,030.8)
Accumulated losses	16	(856.2)	(336.0)
Total equity attributable to Unitholders		4,625.4	4,806.3
Non-controlling interests	17	331.5	318.8
Total equity		4,956.9	5,125.1

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 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Revenue and other income			
Gross property income		185.5	211.6
Income from disposal of inventories		96.6	5.3
Distributions from investments		1.7	15.9
Net gain from fair value adjustments on investment properties	8	30.2	12.0
Net gain on disposal of investment properties	3	7.8	14.0
Net gain on disposal of controlled entities		17.9	45.1
Share of net results of equity accounted investments	3	219.8	155.1
Net (loss)/gain on disposal of equity investments	3	(5.1)	27.4
Other income		10.8	4.6
		565.2	491.0
Property and other expenses			
Property expenses		(50.2)	(55.1)
Inventory cost of sales		(96.8)	(4.4)
Trust expenses		(4.4)	(4.6)
Management fee	3	(9.9)	(158.9)
Impairment losses	3	(112.1)	(252.9)
Other expenses		(3.6)	(4.1)
		(277.0)	(480.0)
Profit before interest and tax		288.2	11.0
Net finance income/expense			
Finance income	3	139.6	284.0
Finance expense	3	(381.2)	(138.0)
Net finance (expense)/income		(241.6)	146.0
Profit before income tax		46.6	157.0
Income tax expense		(5.7)	(0.9)
Profit for the year		40.9	156.1
Profit attributable to Unitholders		18.6	113.9
Profit attributable to non-controlling interests		22.3	42.2
Profit for the year		40.9	156.1

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 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Profit for the year		40.9	156.1
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Decrease due to revaluation of other financial assets	15	(0.3)	(1.9)
Cash flow hedges:			
– Change in value of financial instruments	15	8.3	5.4
– Transfers to the income statement from cash flow hedge reserve	15	7.7	29.0
Effect of foreign currency translation		187.5	(24.0)
Transfers to the income statement from foreign currency translation reserve	15	–	8.1
Other comprehensive income for the year, net of tax		203.2	16.6
Total comprehensive income for the year		244.1	172.7
Total comprehensive income attributable to:			
Unitholders		221.8	130.5
Non-controlling interests		22.3	42.2
Total comprehensive income for the year		244.1	172.7

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 2013

Year ended 30 June 2012
Consolidated

	Note	Attributable to Unitholders			Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 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 Security Purchase Plan		7.2	–	–	7.2	–	7.2
Conversion of preference securities issued to China Investment Corporation (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 (Goodman PLUS)	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

Year ended 30 June 2013
Consolidated

	Note	Attributable to Unitholders			Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued capital \$M	Reserves \$M	Accumu- lated losses \$M			
Balance at 1 July 2012		7,173.1	(2,030.8)	(336.0)	4,806.3	318.8	5,125.1
Total comprehensive income for the year							
Profit for the year	16	–	–	18.6	18.6	22.3	40.9
Other comprehensive income for the year		–	203.2	–	203.2	–	203.2
Total comprehensive income for the year		–	203.2	18.6	221.8	22.3	244.1
Transfers		8.8	278.2	(287.0)	–	–	–
Contributions by and distributions to owners							
In specie capital distribution of interests in GLHK		(561.8)	–	–	(561.8)	–	(561.8)
Issue of units under the Institutional Placement		320.0	–	–	320.0	–	320.0
Issue of ordinary units under the Security Purchase Plan		39.3	–	–	39.3	–	39.3
Issue costs due to ordinary units		(6.2)	–	–	(6.2)	–	(6.2)
Distributions declared on ordinary units	4	–	–	(243.7)	(243.7)	–	(243.7)
Distributions declared on Goodman PLUS	17	–	–	–	–	(16.7)	(16.7)
Issue costs arising on modification of Goodman PLUS	17	–	–	–	–	(1.0)	(1.0)
Transfers to accumulated losses on modification of Goodman PLUS		–	–	(8.1)	(8.1)	8.1	–
Equity settled share based expense relating to Goodman Group		–	57.8	–	57.8	–	57.8
Balance at 30 June 2013		6,973.2	(1,491.6)	(856.2)	4,625.4	331.5	4,956.9

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 2013

	Note	Consolidated	
		2013 \$M	2012 \$M
Cash flows from operating activities			
Property income received		188.9	215.8
Proceeds from sale of inventories		187.2	5.3
Other cash receipts from services provided		72.6	208.0
Property expenses paid		(51.7)	(55.2)
Payments for inventories		(238.5)	(116.0)
Other cash payments in the course of operations		(80.2)	(96.9)
Dividends/distributions received		163.1	116.9
Interest received		6.4	43.0
Finance costs paid		(86.9)	(128.2)
Net income taxes paid		(0.3)	(0.5)
Net cash provided by operating activities	21(b)	160.6	192.2
Cash flows from investing activities			
Proceeds from disposal of investment properties		207.9	203.8
Proceeds from disposal of equity investments		393.1	145.2
Payments for investment properties		(74.0)	(132.8)
Payments for equity investments		(374.4)	(302.2)
Net cash provided by/(used in) investing activities		152.6	(86.0)
Cash flows from financing activities			
Proceeds from issue of ordinary units		359.3	7.2
Transaction costs from issue of securities		(7.2)	(0.1)
Proceeds from borrowings		945.6	2,708.7
Repayments of borrowings		(1,204.3)	(2,331.2)
Loans from related parties		64.8	6.9
Distributions paid		(327.3)	(329.3)
Net cash (used in)/provided by financing activities		(169.1)	62.2
Net increase in cash held		144.1	168.4
Cash at the beginning of the year		261.0	92.6
Cash at the end of the year	21(a)	405.1	261.0

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.

Notes to the consolidated financial statements

for the year ended 30 June 2013

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 2013 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and joint venture entities.

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

Statement of compliance

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

The consolidated financial report is presented in Australian dollars and was authorised for issue by the directors (Directors) of Goodman Funds Management Limited on 15 August 2013.

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 2013 and the results of all such entities for the year ended 30 June 2013. 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.

Notes to the consolidated financial statements

Continued

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 ventures

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

In the consolidated financial statements, investments in joint venture entities (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 JVE's 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 distributions

Distribution income is recognised before deduction of any withholding tax.

Distribution income is recognised when a 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 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.

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:

Australian dollar (AUD) to	Weighted average		As at 30 June	
	2013	2012	2013	2012
New Zealand dollars (NZD)	1.2496	1.2832	1.1871	1.2771
Hong Kong dollars (HKD)	7.967	8.0227	7.0739	7.8899
Chinese yuan (CNY)	6.4169	6.5572	5.5989	6.4651
Japanese yen (JPY)	89.8402	81.133	91.6400	80.8900
Euros (EUR)	0.7949	0.7709	0.7095	0.8092
British pounds sterling (GBP)	0.655	0.6513	0.6072	0.6529
United States dollars (USD)	1.0273	1.0317	0.9275	1.0191

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.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

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.

Prior to 1 July 2012, unrealised gains or losses on properties included in the asset revaluation reserve were transferred to the capital profits reserve on disposal. From 1 July 2012, the Consolidated Entity has amended its practice such that on disposal of properties any previously unrealised gains or losses are now transferred from the asset revaluation reserve to accumulated losses/retained earnings. Accordingly, the balance of the capital profits reserve at 1 July 2012 has been transferred to accumulated losses.

(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).

1 Statement of significant accounting policies continued

Non-derivative financial liabilities

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

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

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

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

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

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

Issued capital

Ordinary units

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

Hybrid securities

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

Derivative financial instruments and hedging

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

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

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

Cash flow hedges

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

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

(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 using the effective interest method.

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(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.

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.

1 Statement of significant accounting policies continued

(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.

(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 unitholders, 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.

Notes to the consolidated financial statements

Continued

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 2013 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. 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 each of the principal 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 made an assessment of the impact of the new accounting standard and does not consider that it will have a material impact on the Consolidated Entity's results;
- + 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 does not consider that it will have a material impact on the Consolidated Entity's results although may require additional disclosures.

(q) Rounding

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

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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

The approach to determination of fair value of investment properties is applied to both properties held directly on 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.

Notes to the consolidated financial statements

Continued

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

(a) Investment property values continued

Market assessment

At 30 June 2013, 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.

At 30 June 2013, the overall weighted average capitalisation rates for the divisional portfolio (including funds managed by Goodman Group) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	30 Jun 2013 %	30 Jun 2012 %
Australia	8.0	8.1
New Zealand	8.1	8.5
Hong Kong	6.4	6.2
Logistics – Continental Europe	7.6	7.8
Logistics – United Kingdom	8.5	8.1
Business Parks – United Kingdom	8.3	8.2

At 30 June 2013, the carrying value of stabilised investment properties held by the Consolidated Entity was \$1,836.2 million (2012: \$1,999.1 million). During the year ended 30 June 2013, 68% (2012: 74%) 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 15.0%.

At 30 June 2013, the carrying value of investment properties under development held by the Consolidated Entity was \$272.6 million (2012: \$356.6 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 2013, the carrying value of inventories held by the Consolidated Entity was \$90.2 million (2012: \$190.8 million).

3 Profit before income tax

	Consolidated	
	2013 \$000	2012 \$000
Net consideration from disposal of investment properties	206.4	203.8
Carrying value of investment properties disposed – refer to note 8	(198.6)	(189.8)
Net gain on disposal of investment properties	7.8	14.0
Net consideration received and receivable from the disposal of controlled entities ¹	81.5	239.4
Carrying value of net assets/liabilities disposed	(81.5)	(239.4)
Net gain on disposal of special purpose development entities	17.9	45.1
Net gain on disposal of controlled entities	17.9	45.1
Share of net results of investments in associates – refer to note 9(a)	207.8	151.5
Share of net results of investments in joint venture entities – refer to note 9(b)	12.0	3.6
Share of net results of equity accounted investments	219.8	155.1
Net consideration from disposal of equity investments ²	453.4	102.4
Carrying value of equity investments disposed	(457.8)	(73.1)
Loss on dilution of investment in associate – refer to note 9(a)	(0.7)	(1.9)
Net (loss)/gain on disposal of equity investments	(5.1)	27.4
Management fee³	(9.9)	(158.9)
Impairment of receivables ⁴	(12.2)	(9.6)
Impairment of capital contribution in GL ⁵	–	(239.4)
Impairment of inventories	(0.7)	(3.9)
Impairment of other financial assets ⁶	(99.2)	–
Impairment losses	(112.1)	(252.9)
Finance income		
Interest income from:		
– Related parties	135.7	140.3
– Other parties	3.9	4.5
Fair value adjustments on derivative financial instruments ⁷	–	139.2
	139.6	284.0
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(116.8)	(94.6)
Other borrowing costs	(17.0)	(13.6)
Fair value adjustments on derivative financial instruments ⁷	(207.5)	–
Foreign exchange loss ⁸	(75.1)	(64.6)
Capitalised borrowing costs	35.2	34.8
	(381.2)	(138.0)
Net finance (expense)/income	(241.6)	146.0

1. During the year, as part of the restructure of Goodman Group, the Consolidated Entity disposed of two controlled entities to GLHK. Refer to note 22 for details of the transaction.
2. During the year, the Consolidated Entity disposed of its entire interest in Highbrook Development Limited for a consideration of \$55.4 million and a portion of its interest in GAIF for a consideration of \$367.4 million.
3. The Responsible Entity is entitled to receive management fees from the Consolidated Entity. In the prior financial year, there was a direct increase in funds management costs incurred by the Responsible Entity. The Responsible 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.
4. The impairment loss on receivables relates primarily to loans provided to certain joint venture entities to fund development projects. The impairment is a result of a devaluation of the development asset in the joint venture entity.
5. In the prior financial 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 was deemed to have made a capital contribution to GL at a value equal to the fair value of the controlled entities. However, as there was no further return on this capital contribution, the investment was impaired to \$nil.
6. On 1 May 2013, an investment in a Consolidated Entity of GL was impaired, resulting in a loss of £65 million (A\$99.2 million)
7. These amounts include fair value movements on derivatives where the hedge relationship has not been designated and amortisation from the cash flow hedge reserve of gains or losses on derivative contracts that were previously hedge accounted.
8. Foreign exchange losses includes \$65.2 million (2012: gain of \$34.2 million) of unrealised losses on translation of the United States senior notes and the Japanese yen denominated private placement.

Notes to the consolidated financial statements

Continued

4 Distributions

(a) Distributions declared and paid by GIT

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the year ended 30 June 2013			
– 31 Dec 2012	9.7	166.2	28 Feb 2013
– 30 Jun 2013	4.5	77.5	26 Aug 2013
	14.2	243.7	
Distributions for the year ended 30 June 2012			
– 31 Dec 2011	9.0	139.2	28 Feb 2012
– 30 Jun 2012	9.0	144.5	27 Aug 2012
	18.0	283.7	

(b) Distributions declared and paid by Goodman PLUS Trust

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the year ended 30 June 2013			
– 21 Sep 2012	136.7	4.5	21 Sep 2012
– 31 Dec 2012 ¹	201.6	6.6	31 Dec 2012
– 31 Mar 2013	170.4	5.6	2 Apr 2013
– 30 Jun 2013	173.3	5.6	1 Jul 2013
	682.0	22.3	
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	

1. On 26 September 2012, the holders of Goodman PLUS approved certain amendments to the terms of the hybrid securities (refer to note 17). These amendments include a change to the quarterly distribution dates to 31 December, 31 March, 30 June and 30 September.

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

In the prior financial year, China Hybrid Investment Sub-trust, a controlled entity of the Consolidated Entity, had hybrid securities on issue which met the definition of equity. The final tranche of these securities were converted to ordinary stapled securities of the Consolidated Entity on 25 June 2012. The distributions paid by China Hybrid Investment Sub-Trust in the prior financial year were \$20.7 million.

5 Receivables

	Consolidated	
	2013 \$M	2012 \$M
Current		
Trade receivables	2.4	3.5
Other receivables	2.5	7.5
Amounts due from related parties	2.0	39.3
Loans to related parties	2,085.7	1,995.5
Derivative financial instruments	–	4.9
	2,092.6	2,050.7
Non-current		
Other receivables	34.0	7.5
Loans to related parties	11.7	118.1
Derivative financial instruments	120.6	228.7
	166.3	354.3

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

Receivables, excluding derivative financial instruments, denominated in currencies other than Australian dollars are as follows:

Amounts in A\$M	NZD	JPY	EUR	GBP	USD
2013	44.0	281.6	286.9	1,495.8	413.8
2012	19.0	347.1	594.2	1,129.7	79.5

Trade receivables

As at 30 June 2013, trade receivables of \$nil were impaired (2012: \$nil). The ageing analysis of these trade receivables (before impairment) is as follows:

	Consolidated	
	2013 \$M	2012 \$M
Overdue by:		
Up to 1 month	0.1	0.4
1 month to 4 months	0.2	0.1
Greater than 4 months	–	–
	0.3	0.5

The Consolidated Entity holds bank guarantees as security for \$1.2 million (2012: \$2.3 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 1.2% to 10.1% per annum (2012: 1.7% to 10.3% per annum). During the current financial year, no impairment losses were recognised in respect of loans to controlled entities of GL and the cumulative impairment losses on these loans remains at \$246.2 million (2012: \$246.2 million). These impairment losses were a result of the devaluation of property assets. Further details of loans to related parties are set out in note 22.

Notes to the consolidated financial statements

Continued

6 Inventories

	Consolidated	
	2013 \$M	2012 \$M
Current		
Development land	31.2	9.3
	31.2	9.3
Non-current		
Development land	59.0	181.5
	59.0	181.5

During the year, impairments of \$0.7 million (2012: \$3.9 million) were recognised to write down development land to net realisable value.

7 Other assets

	Consolidated	
	2013 \$M	2012 \$M
Other property assets	0.8	104.2
Prepayments	5.1	8.7
	5.9	112.9

8 Investment properties

	Consolidated	
	2013 \$M	2012 \$M
Carrying amount at the beginning of the year	2,355.7	2,662.0
– Other acquisitions	–	2.3
Capital expenditure	64.5	74.5
Disposals:		
– Carrying value of properties sold	(198.6)	(189.8)
– On disposal of interests in controlled entities	(158.6)	(199.6)
Transfers to inventories	–	(11.3)
Net gain from fair value adjustments	30.2	12.0
Effect of foreign currency translation	15.6	5.6
Carrying amount at the end of the year	2,108.8	2,355.7
Analysed as:		
Stabilised investment properties	1,836.2	1,999.1
Investment properties under development	272.6	356.6
	2,108.8	2,355.7

No investment properties are subject to charges to secure bank loans (2012: \$nil).

9 Investments accounted for using the equity method

	Note	Consolidated	
		2013 \$M	2012 \$M
Share of net assets accounted for using the equity method			
Associates	9(a)	2,518.8	2,466.3
JVEs	9(b)	365.7	194.2
Total		2,884.5	2,660.5

(a) Investments in associates

	Consolidated	
	2013 \$M	2012 \$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,466.3	2,312.6
Share of net results after tax (before revaluations)	197.5	156.8
Share of fair value adjustments on investment properties	29.8	55.6
Share of fair value adjustments on interest rate swaps	(19.5)	(60.9)
Share of net results	207.8	151.5
Share of movement in reserves	6.6	19.9
Loss on dilution of investment	(0.7)	(1.9)
Acquisitions	250.2	190.4
Disposals	(396.4)	(73.2)
Distributions received and receivable	(141.5)	(122.3)
Effect of foreign currency translation	126.5	(10.7)
Carrying amount at the end of the year	2,518.8	2,466.3

Name	Country of establishment/ incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2013 \$M	2012 \$M	2013 %	2012 %	2013 \$M	2012 \$M
Property investment associates							
Goodman Australia Industrial Fund (GAIF)	Australia	82.9	81.0	26.6	43.3	815.7	1,145.2
Goodman Australia Development Fund (GADF)	Australia	4.5	2.8	20.0	20.0	47.8	44.8
Goodman Trust Australia (GTA)	Australia	49.1	42.1	19.9	19.9	372.3	323.8
Goodman Property Trust (GMT) ¹	New Zealand	12.7	5.4	17.6	17.2	181.8	136.3
GHKLF (Goodman Hong Kong Logistics Fund)	Cayman Islands	58.4	29.4	20.0	20.0	370.5	220.4
GCLHL (Goodman China Logistics Holding Limited) ²	China	6.6	3.2	–	20.0	–	11.9
Goodman European Logistics Fund (GELF)	Luxembourg	20.8	(2.0)	30.8	26.6	483.2	326.8
Arlington Business Parks Partnership (ABPP)	United Kingdom	(27.2)	(10.4)	36.3	36.3	247.5	257.1
		207.8	151.5			2,518.8	2,466.3

1. GMT is listed on the New Zealand Exchange. The market value of the Consolidated Entity's investment in GMT at 30 June 2013 using the quoted price on the last day of trading was \$183.7 million (2012: \$133.7 million). The Consolidated Entity is assessed to have significant influence over the operations of GMT despite only owning 17.6% 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.

2. On 30 June 2013, the Consolidated Entity transferred its investment in GCLHL to GLHK.

Notes to the consolidated financial statements

Continued

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 (100%) \$M
GAIF	2013	450.0	216.2	4,844.7	1,836.0	3,008.7
	2012	435.6	187.1	4,468.5	1,882.8	2,585.7
GADF	2013	13.3	22.3	287.2	60.1	227.1
	2012	6.2	13.9	233.9	19.9	214.0
GTA	2013	272.1	246.7	3,032.3	1,300.0	1,732.3
	2012	261.1	202.3	2,796.2	1,185.4	1,610.8
GMT	2013	96.8	72.5	1,739.3	729.9	1,009.4
	2012	89.5	32.0	1,318.5	575.2	743.3
GHKLF	2013	109.8	292.6	2,625.7	813.5	1,812.2
	2012	91.8	147.1	1,663.5	561.3	1,102.2
GCLHL	2013	30.2	33.1	–	–	–
	2012	18.3	16.1	354.4	295.2	59.2
GELF	2013	162.6	83.0	2,930.1	1,363.2	1,566.9
	2012	144.5	20.1	2,181.6	957.9	1,223.7
ABPP	2013	114.4	(75.5)	1,535.7	838.3	697.4
	2012	105.3	(52.0)	1,637.0	914.2	722.8

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.

(b) Investments in JVEs

	Consolidated	
	2013 \$M	2012 \$M
Movement in carrying amount of investments in JVEs		
Carrying amount at the beginning of the year	194.2	76.1
Share of net results after tax (before revaluations)	14.2	5.1
Share of fair value adjustments on investment properties	(2.6)	(0.6)
Share of fair value adjustments on interest rate swaps	0.4	(0.9)
Share of net results	12.0	3.6
Share of movement in reserves	0.2	0.4
Acquisitions	229.8	116.6
Disposals	(78.6)	–
Distributions received and receivable	(6.7)	(1.4)
Effect of foreign currency translation	14.8	(1.1)
Carrying amount at the end of the year	365.7	194.2

9 Investments accounted for using the equity method continued

(b) Investments in JVEs continued

Name	Country of establishment/ incorporation	Consolidated share of JVE's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2013 \$M	2012 \$M	2013 %	2012 %	2013 \$M	2012 \$M
Property investment JVEs							
KWASA – Goodman Industrial Trust (KGIT)	Australia	9.5	0.5	40.0	40.0	178.2	98.9
Goodman Princeton Holdings (Lux) Sàrl (Princeton Lux)	Luxembourg	1.1	0.9	20.0	20.0	31.2	27.5
Goodman Princeton Holdings (Jersey) Ltd (Princeton Jersey)	Jersey	0.1	0.6	20.0	20.0	11.3	11.2
Goodman North America Partnership (GNAP)	America	(0.2)	–	53.0	–	92.2	–
Property development JVEs							
GGAIF Huntingwood East (Huntingwood East)	Australia	–	–	50.0	50.0	–	–
GGAIF Bungarribee No. 3 (Bungarribee No.3)	Australia	–	–	50.0	–	–	–
BGMG1 Oakdale South Trust (Oakdale South)	Australia	–	–	50.0	–	52.8	–
Highbrook Development Limited (HDL) ¹	New Zealand	1.4	2.5	–	25.0	–	54.8
Other JVEs		0.1	(0.9)			–	1.8
		12.0	3.6			365.7	194.2

1. During December 2012, the Consolidated Entity disposed of its investment in HDL to GMT.

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	2013	51.9	23.7	726.4	283.2	443.2
	2012	1.8	1.3	401.7	154.9	246.8
Princeton Lux	2013	11.4	5.5	250.2	98.7	151.5
	2012	5.2	(2.5)	136.9	6.5	130.4
Princeton Jersey	2013	4.2	0.5	54.0	1.8	52.2
	2012	3.4	2.9	50.3	1.7	48.6
GNAP	2013	–	(0.3)	167.9	0.7	167.2
	2012	–	–	–	–	–
Huntingwood East ³	2013	–	(1.4)	17.7	34.2	(16.5)
	2012	–	–	28.8	43.9	(15.1)
Bungarribee No. 3 ³	2013	–	–	29.7	46.7	(17.0)
	2012	–	–	–	–	–
Oakdale South	2013	–	–	105.6	–	105.6
	2012	–	–	–	–	–

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 \$1,325.9 million (2012: \$1,061.3 million) and total non-current liabilities of \$411.2 million (2012: \$444.1 million).

3. These JVEs are primarily funded by shareholder loans. Following the write down of the development properties in these JVEs, the Consolidated Entity has impaired its share of the loans (refer to note 5).

Notes to the consolidated financial statements

Continued

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 Australia Finance Pty Limited	Australia
Goodman Funding Pty Limited	Australia
MGI HK Finance	Cayman Islands
Goodman Finance (Jersey) Limited	Jersey
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Goodman Funding Singapore Pte Limited	Singapore

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	
	2013 \$M	2012 \$M
Current		
Trade payables	1.2	95.4
Other payables and accruals	67.5	53.8
Rental income received in advance	2.0	2.3
Loans from related parties ¹	85.2	41.7
Derivative financial instruments	3.7	3.1
	159.6	196.3
Non-current		
Other payables and accruals	69.6	17.2
Derivative financial instruments	236.0	146.3
	305.6	163.5

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	JPY	EUR	GBP	USD
2013	6.7	64.9	–	12.8	62.9	7.4
2012	1.5	5.5	3.8	51.2	56.0	84.1

12 Provisions

Consolidated	Distributions to Unitholders \$M	Rental guarantees \$M	Other \$M	Total \$M
Balance at the beginning of the year	144.5	1.9	0.4	146.8
Provisions made	243.7	–	–	243.7
Provisions used	(310.7)	(1.9)	(0.1)	(312.7)
Balance at the end of the year	77.5	–	0.3	77.8
Analysed as:				
Current	77.5	–	0.3	77.8
Non-current	–	–	–	–
	77.5	–	0.3	77.8

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 and JVEs) under the terms of asset disposal contracts.

13 Interest bearing liabilities

	Note	Consolidated	
		2013 \$M	2012 \$M
Current			
Bank loans, unsecured	13(a)	–	42.5
		–	42.5
Non-current			
Bank loans, unsecured	13(a)	235.5	433.8
Euro medium-term notes, unsecured	13(b)	411.7	382.9
US senior notes, unsecured	13(c)	1,428.6	1,300.1
Foreign private placements, unsecured	13(d)	174.5	187.9
		2,250.3	2,304.7

Notes to the consolidated financial statements

Continued

13 Interest bearing liabilities continued

(a) Bank loans, unsecured

Facility		Amounts drawn down in A\$M equivalents						Total
		AUD	NZD	USD	JPY	EUR	GBP	
Bank loan ¹	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	100.0	2.3	–	–	–	–	102.3
Bank loan ²	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	150.0	–	–	–	–	–	150.0
Bank loan ³	30 Jun 2013	–	–	53.0	–	–	–	53.0
	30 Jun 2012	–	–	–	–	–	–	–
Bank loan ⁴	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	–	–	42.5	–	–	–	42.5
Bank loan ⁵	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	21.0	–	–	–	–	–	21.0
Bank loan ⁶	30 Jun 2013	–	–	–	–	89.5	–	89.5
	30 Jun 2012	–	–	–	–	–	–	–
Bank loan ⁷	30 Jun 2013	–	–	67.4	4.9	–	–	72.3
	30 Jun 2012	–	–	52.5	5.6	–	–	58.1
Bank loan ⁸	30 Jun 2013	–	–	–	–	–	–	–
	30 Jun 2012	80.0	–	–	–	–	–	80.0
Bank loans ⁹	30 Jun 2013	–	–	–	–	–	30.8	30.8
	30 Jun 2012	–	–	–	–	–	36.8	36.8
Bank loans ¹⁰	30 Jun 2013	–	17.4	–	–	–	–	17.4
	30 Jun 2012	–	15.7	–	–	–	–	15.7
Total	30 Jun 2013	–	17.4	120.4	4.9	89.5	30.8	263.0
	30 Jun 2012	351.0	18.0	95.0	5.6	–	36.8	506.4
Less: Unamortised borrowing costs	30 Jun 2013							(27.5)
	30 Jun 2012							(30.1)
Total unsecured bank loans	30 Jun 2013							235.5
	30 Jun 2012							476.3

1. At 30 June 2013, the facility limit was A\$150.0 million and the facility expires on 27 June 2016.

2. At 30 June 2013, the facility limit was A\$150.0 million and the facility expires on 29 June 2016.

3. At 30 June 2013, the facility limit was A\$53.9 million (US\$50.0 million) and the facility expires on 21 December 2015.

4. The facility was fully repaid and cancelled on 21 December 2012.

5. At 30 June 2013, the facility limit was A\$159.0 million and the facility expires on 21 December 2016.

6. At 30 June 2013, the facility limit was A\$140.9 million (€100.0 million) and the facility expires on 6 June 2015.

7. At 30 June 2013, the facility limits were A\$67.4 million (US\$62.5 million) that expires on 30 April 2015 and A\$55.0 million (¥5.04 billion) that expires on 30 April 2016.

8. At 30 June 2013, the facility limit was A\$150.0 million and the facility expires on 29 June 2015.

9. At 30 June 2013, the facility limit was A\$154.8 million (€94.0 million) and the facility expires on 13 May 2016.

10. At 30 June 2013, the facility limit was A\$105.3 million (NZ\$125.0 million) and the facility expires on 15 May 2015.

The interest rates on the above unsecured 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

(a) Bank loans, unsecured continued

In addition to the above facilities, the Consolidated Entity had the following unsecured bank facilities that had not been drawn as at 30 June 2013:

- + an A\$100.0 million facility that expires on 1 February 2015;
- + an A\$50.0 million facility that expires on 18 July 2016;
- + an A\$32.3 million (US\$30.0 million) facility that expires on 21 December 2015;
- + an A\$40.3 million (US\$37.5 million) facility that expires on 21 December 2015;
- + an A\$37.5 million facility that expires on 21 December 2015; and
- + an A\$50.0 million facility that expires on 21 December 2015.

(b) Euro medium-term notes, unsecured

Goodman Australia Finance Pty Limited, a controlled entity of GIT, has on issue A\$411.7 million (2012: A\$382.9 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 2013 was A\$524.9 million (2012: A\$482.1 million).

(c) United States senior notes, unsecured

As at 30 June 2013, the Consolidated Entity has notes on issue in the United States 144A/Reg S bond market as follows:

- + A\$350.4 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\$539.1 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\$539.1 million (US\$500.0 million) maturing on 22 March 2022. The senior unsecured notes were issued at a fixed coupon of 6.0% payable semi-annually.

(d) Foreign private placements, unsecured

As at 30 June 2013, the Consolidated Entity had the following unsecured foreign private placements:

- + A\$38.1 million (€27.0 million) denominated in Euros. The facility has a variable coupon payable quarterly and expires on 30 June 2023; and
- + A\$136.4 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	
	Facilities available \$M	Facilities utilised \$M
At 30 June 2013		
Bank loans, unsecured	1,496.6	263.0
Euro medium-term notes, unsecured	411.7	411.7
United States senior notes, unsecured	1,428.6	1,428.6
Foreign private placements, unsecured	174.5	174.5
Bank guarantees ¹	–	33.1
	3,511.4	2,310.9
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

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

Notes to the consolidated financial statements

Continued

14 Issued capital

	Consolidated	
	2013 \$M	2012 \$M
1,713,233,947 (30 June 2012: 1,605,107,477) fully paid units on issue ¹	7,121.6	7,315.3
Less: Issue costs ²	(148.4)	(142.2)
	6,973.2	7,173.1

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

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

Terms and conditions

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

	Units
Units on issue at 1 July 2011	1,478,921,481
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 Security 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	1,605,107,475
Units on issue at 1 July 2012	1,605,107,475
Issued under the Long Term Incentive Plan	2,409,834
Issued under the Goodman Group Tax Exempt Plan	46,295
Issued under the Institutional Placement	94,117,700
Issued under the Security Purchase Plan	11,552,643
Units on issue at 30 June 2013	1,713,233,947

15 Reserves

	Note	Consolidated	
		2013 \$M	2012 \$M
Asset revaluation reserve	15(a)	(1,030.9)	(1,111.2)
Cash flow hedge reserve	15(b)	(12.7)	(26.6)
Foreign currency translation reserve	15(c)	(497.0)	(742.0)
Capital profits reserve ¹	15(d)	–	(151.0)
Employee compensation reserve ²	15(e)	49.0	–
Total reserves		(1,491.6)	(2,030.8)

1. In prior periods, unrealised gains or losses on properties included in the asset revaluation reserve were transferred to the capital profits reserve on disposal. From 1 July 2012, the Consolidated Entity has amended its practice such that on disposal of properties any previously unrealised gains or losses are now transferred from the asset revaluation reserve to accumulated losses. Accordingly, the balance of the capital profits reserve at 1 July 2012 has been transferred to accumulated losses.

2. The employee compensation reserve arises from the amortisation of performance rights issue by Goodman Group to employees of GL and GLHK under the Long Term Incentive Plan.

	2013 \$M	2012 \$M
(a) Asset revaluation reserve		
Balance at the beginning of the year	(1,111.2)	(1,230.3)
Decrease due to revaluation of other financial assets	(0.3)	(1.9)
Transfers to capital profits reserve	–	58.9
Transfers to accumulated losses	126.8	48.0
Effect of foreign currency translation	(46.2)	14.1
Balance at the end of the year	(1,030.9)	(1,111.2)
(b) Cash flow hedge reserve		
Balance at the beginning of the year	(26.6)	(61.8)
Change in value of financial instruments	8.3	5.4
Transfers to the income statement	7.7	29.0
Effect of foreign currency translation	(2.1)	0.8
Balance at the end of the year	(12.7)	(26.6)
(c) Foreign currency translation reserve		
Balance at the beginning of the year	(742.0)	(713.2)
Transfers to the income statement	–	8.1
Net exchange differences on conversion of foreign operations	245.0	(36.9)
Balance at the end of the year	(497.0)	(742.0)
(d) Capital profits reserve		
Balance at the beginning of the year	(151.0)	(90.1)
Transfers from asset revaluation reserve	–	(58.9)
Transfers to accumulated losses	160.2	–
Effect of foreign currency translation	(9.2)	(2.0)
Balance at the end of the year	–	(151.0)
(e) Employee compensation reserve		
Balance at the beginning of the year	–	–
Equity settled share based payments expense relating to Goodman Group	57.8	–
Transfers to accumulated losses	–	–
Transfers to issued capital	(8.8)	–
Balance at the end of the year	49.0	–

Notes to the consolidated financial statements

Continued

16 Accumulated losses

	Consolidated	
	2013 \$M	2012 \$M
Balance at the beginning of the year	(336.0)	(97.5)
Profit attributable to Unitholders	18.6	113.9
Transfers from asset revaluation reserve	(126.8)	(48.0)
Transfers from capital profit reserve	(160.2)	–
Transfers from non-controlling interests ¹	(8.1)	(20.7)
Distributions declared	(243.7)	(283.7)
Balance at the end of the year	(856.2)	(336.0)

1. Issue costs previously incurred on the issue of Goodman PLUS have been transferred to accumulated losses following amendments to the terms of Goodman PLUS (refer to note 17).

17 Non-controlling interests

At 30 June 2013, other non-controlling interests comprise of Goodman PLUS Trust hybrid securities. The movement in other non-controlling interests is as follows:

	Consolidated	
	2013 \$M	2012 \$M
Balance at the beginning of the year	318.8	573.1
Conversion of preference securities issued to CIC	–	(275.0)
Transfers to (accumulated losses)/retained earnings on modification of Goodman PLUS	8.1	20.7
Issue costs arising on modification of Goodman PLUS	(1.0)	–
Profit attributable to non-controlling interests	22.3	42.2
Distributions paid to non-controlling interests	(16.7)	(42.2)
Balance at the end of the year	331.5	318.8

Goodman PLUS

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

On 26 September 2012, the terms of the Goodman PLUS were amended in response to market conditions. The key amendments, which came into effect on 27 September 2012, are as follows:

- + distributions under the Goodman PLUS increased from a margin of 1.90% per annum to a margin of 3.90% per annum over the three month Bank Bill Swap Rate;
- + a step up margin of 0.25% per annum will apply if the Goodman PLUS are not repurchased, exchanged or successfully remarketed on or before 30 September 2022. The first remarketing date under the amended terms is 31 December 2017 and thereafter every five years;
- + a final step up margin of 0.75% per annum will apply if the Goodman PLUS are not repurchased or exchanged on or before 31 December 2038; and
- + Goodman PLUS holders will have the right to require Goodman PLUS Trust to elect to repurchase or exchange the Goodman PLUS on 31 December 2073.

18 Segment reporting

The Consolidated Entity is based in Australia and has divisions in Australia, New Zealand, Continental Europe, the United Kingdom and North America. During the year, most of the activities in Asia have been transferred to GLHK.

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.

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		North America		Total	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Income statement												
External revenues												
Gross property income	165.7	191.9	2.8	0.1	1.2	3.7	15.8	15.9	–	–	185.5	211.6
Income from disposal of inventories	–	4.7	–	–	–	–	–	0.6	96.6	–	96.6	5.3
Distributions from investments	–	–	–	–	–	–	1.7	15.9	–	–	1.7	15.9
Other income	1.5	2.0	–	–	9.3	2.0	–	0.6	–	–	10.8	4.6
Total external revenues	167.2	198.6	2.8	0.1	10.5	5.7	17.5	33.0	96.6	–	294.6	237.4
Reportable segment profit/(loss) before tax	268.1	264.6	36.3	40.1	48.1	75.5	41.9	35.3	(0.2)	–	394.2	415.5
Other material non-cash items not included in reportable segment profit/(loss) before tax												
Net gain/(loss) from fair value adjustments on investment properties	30.2	18.8	–	(4.8)	–	(0.3)	–	(1.7)	–	–	30.2	12.0
Impairment losses	(12.9)	(248.9)	–	–	–	(4.0)	(99.2)	–	–	–	(112.1)	(252.9)
Other key components of financial performance included in reportable segment profit/(loss) before tax												
Share of net results of equity accounted investments	160.0	134.4	65.1	32.6	22.1	(2.1)	(27.2)	(9.8)	(0.2)	–	219.8	155.1
Statement of financial position												
Reportable segment assets	3,655.3	3,882.8	370.5	396.4	520.4	571.5	511.4	537.2	92.3	–	5,149.9	5,387.9
Investments in equity accounted investments (included in reportable segment assets)	1,648.8	1,804.5	370.4	232.3	514.5	355.4	258.6	268.3	92.2	–	2,884.5	2,660.5
Reportable segment liabilities	73.4	29.2	0.3	17.9	(1.9)	35.6	0.9	15.4	0.1	–	72.8	98.1

Notes to the consolidated financial statements

Continued

18 Segment reporting continued

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

	2013 \$M	2012 \$M
Revenues		
Total revenue for reportable segments	294.6	237.4
Consolidated revenues	294.6	237.4
Profit or loss		
Total profit before tax for reportable segments	394.2	415.5
Other non-cash items not included in reportable segment profit before tax	(88.7)	(245.2)
Unallocated amounts: other corporate expenses	(17.3)	(159.3)
Net finance (expense)/income – refer to note 3	(241.6)	146.0
Consolidated profit before income tax	46.6	157.0
Assets		
Total assets for reportable segments	5,149.9	5,387.9
Unallocated amounts: loans to GL and GLHK	2,085.7	2,111.1
Other unallocated amounts	517.8	486.9
Consolidated total assets	7,753.4	7,985.9
Liabilities		
Total liabilities for reportable segments	72.8	98.1
Unallocated amounts: interest bearing liabilities	2,250.3	2,347.2
Other unallocated amounts	473.4	415.5
Consolidated total liabilities	2,796.5	2,860.8

19 Disposal of interests in controlled entities

During the year, the Consolidated Entity disposed of two controlled entities with a fair value of \$81.5 million to GLHK for a consideration of \$81.5 million. The effect of the disposal on the statement of financial position of the Consolidated Entity is as follows:

	Goodman Developments Asia (GDA) \$M	Goodman Property Opportunities (Lux) Sàrl SICAR (GPO) \$M	Total \$M
Total assets	253.7	295.5	549.2
Total liabilities	(231.9)	(231.8)	(463.7)
Net assets disposed	21.8	63.7	85.5
Less: Fair value of 6% interest retained in GPO			4.0
Total consideration			81.5

In the prior 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 was deemed to have made a capital contribution to GL at a value equal to the fair value of the controlled entities. However, as there was no further return on this capital contribution, the investment was impaired to \$nil at 30 June 2013. 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	
	2013	2012
	\$000	\$000
Audit services		
Auditor of GIT:		
– Audit and review of financial reports (KPMG Australia)	471.2	630.0
– Audit and review of financial reports (overseas KPMG firms)	84.3	242.5
	555.5	872.5
Other regulatory services		
– Other regulatory services (KPMG Australia)	36.2	35.0
– Other regulatory services (overseas KPMG firms)	–	2.1
Other assurance services		
– Investigative accounting services (KPMG Australia)	177.1	356.0
Taxation services		
– Taxation compliance services (KPMG Australia)	15.3	201.5
– Taxation compliance services (overseas KPMG firms)	25.3	74.7
– Other taxation advice (KPMG Australia)	107.2	14.1
	361.1	683.4
Total paid/payable to KPMG	916.6	1,555.9
Other auditors		
– Audit and review of financial reports (non-KPMG firms)	70.0	32.6

Notes to the consolidated financial statements

Continued

21 Notes to the consolidated cash flow statement

(a) Reconciliation of cash

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

	Consolidated	
	2013 \$M	2012 \$M
Cash assets	405.1	261.0

(b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	Consolidated	
	2013 \$M	2012 \$M
Profit for the year	40.9	156.1
Items classified as investing/financing activities		
Net gain on disposal of investment properties	(7.8)	(14.0)
Net loss/(gain) on disposal of equity investments	5.1	(27.4)
Non-cash items		
Net gain from fair value adjustments on investment properties	(30.2)	(12.0)
Impairment losses	112.1	252.9
Share of net results of equity accounted investments	(219.8)	(155.1)
Net finance expense/(income)	241.6	(146.0)
Income tax expense	5.7	0.9
Operating profit before changes in working capital and provisions	147.6	55.4
Changes in assets and liabilities during the year:		
– (Increase)/decrease in receivables	(6.8)	179.0
– Increase in inventories	(77.4)	(41.2)
– Decrease in other assets	85.6	0.3
– Decrease in payables	(70.0)	(30.2)
– Decrease in provisions	(0.7)	(2.3)
	78.3	161.0
Dividends/distributions received from equity accounted investments	163.1	116.9
Net finance costs paid	(80.5)	(85.2)
Net income taxes paid	(0.3)	(0.5)
Net cash provided by operating activities	160.6	192.2

(c) Non-cash financing and investing activities

Disposal of controlled entities and equity investments

During the year, the Consolidated Entity disposed of its entire interest in HDL for a consideration of \$54.6 million. This consideration was received in the form of units in GMT, of which \$24.8 million was deferred.

In the prior year, 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 \$nil and \$9.6 million from GMT and GTA respectively in the form of units under their distribution reinvestment plans. In the prior financial year, the Consolidated Entity received distributions of \$9.7 million and \$nil from GMT and GTA 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 \$nil (2012: \$261.8 million) ordinary units on conversion of preference securities by CIC.

Other non-cash financing and investing activities

In the prior financial year, the Consolidated Entity incurred management fees of \$158.9 million which was settled through a related party loan.

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	
	2013	2012
	\$	\$
Management fees	9,934,430	158,889,902

In the prior financial year, the increase in management fees was a direct result of an increase in fund management costs incurred by the Responsible Entity. The Responsible 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.

As at 30 June 2013, the amounts owed to the Responsible Entity were \$nil (2012: \$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	
	2013	2012
	\$	\$
Property services fees (including property management and leasing)	4,901,604	5,081,801
Development management and project fees	3,793,615	3,671,989
Building supervisor costs reimbursed	1,262,953	1,260,212
Transaction management fee	2,552,390	–
	12,510,562	10,014,002

In addition to the above, there were the following transactions between other Goodman Group entities and the Consolidated Entity:

- + as part of the restructure of Goodman Group, the Consolidated Entity disposed of the following controlled entities to GLHK:
 - 94% of its interest in GPO to GLHK for a consideration of \$59.7 million, an amount equal to the book value of the net assets held by the Consolidated Entity; and
 - 100% of its interest in GDA for a consideration of \$21.8 million, an amount equal to the book value of the net assets held by the Consolidated Entity;
- + in prior financial years, GIT provided Goodman Vineyard Pty Limited (Vineyard), a fellow controlled entity of Goodman Group, a loan to fund the development of M7 Business Hub, Eastern Creek, NSW. This loan matured in December 2011. In the prior financial year, interest and other amounts charged to Vineyard was \$5.1 million;
- + other loans to other Goodman Group entities exist at 30 June 2013 totalling \$2,288.1 million (2012: \$2,197.9 million), of which \$2,283.9 million are interest bearing and \$4.2 million are non-interest bearing. Interest bearing loans bear interest at rates determined based on the terms under which the funds are borrowed; and
- + other loans from other Goodman Group entities exist at 30 June 2013 totalling \$85.2 million (2012: \$41.7 million) of which \$75.4 million are interest bearing and \$9.8 million are non-interest bearing. Interest bearing loans bear interest at rates determined based on the terms under which the funds are borrowed.

Notes to the consolidated financial statements

Continued

22 Related party disclosures continued

Transactions with associates and JVEs

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

	Revenue from disposals of property assets		Interest charged on loans to related parties		Other	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Associates	23.4	34.2	0.7	2.3	1.6	-
JVEs¹	286.1	211.9	2.8	3.3	-	-

1. Revenue from disposals of property assets to JVEs includes \$189.4 million (2012: \$203 million) from the disposal of investment properties to KGIT.

Amounts due from associates and JVEs at 30 June 2013 were as follows:

	Amounts due from related parties ¹		Loans provided by the Consolidated Entity ²	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Associates	2.0	38.8	-	69.2
JVEs	-	0.5	11.7	48.9

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 2013, details in respect of the principal loan balances are set out below:

- + the shareholder loan provided to Huntingwood East incurred interest at 6.0% per annum; and
- + in the prior financial year, a shareholder loan of \$29.5 million was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of GELF.

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 on a Consolidated Entity basis and the gearing ratio for the Consolidated Entity is calculated as the total interest bearing liabilities less cash as a percentage of the total assets less cash.

Financial risk management

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

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

In managing foreign currency risks, 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).

Notes to the consolidated financial statements

Continued

23 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

As at 30 June 2013, the principal that is hedged, the weighted average exchange rates and the periods of expiry, by currency, are set out below:

	2013			2012		
	Amounts payable LC'M	Amounts receivable AUD'M	Weighted average exchange rate LC/AUD	Amounts payable LC'M	Amounts receivable AUD'M	Weighted average exchange rate LC/AUD
CCIRS: AUD receivable:						
Expiry by currency						
NZD payable						
1 – 2 years	–	–	–	(85.0)	69.7	1.2200
2 – 5 years	(220.0)	172.0	1.2795	(120.0)	92.2	1.3015
	(220.0)	172.0		(205.0)	161.9	
HKD payable						
2 – 5 years	(2,150.0)	274.2	7.8626	(1,450.0)	184.7	7.8870
Over 5 years	(200.0)	24.5	8.1610	–	–	–
	(2,350.0)	298.7		(1,450.0)	184.7	
JPY payable						
2 – 5 years	(15,500.0)	180.4	85.9348	(8,500.0)	97.3	87.3694
Over 5 years	–	–	–	(8,500.0)	100.8	84.3000
	(15,500.0)	180.4		(17,000.0)	198.1	
EUR payable						
2 – 5 years	(350.0)	457.7	0.7656	(50.0)	69.2	0.7226
Over 5 years	(120.0)	152.7	0.7877	(200.0)	263.7	0.7587
	(470.0)	610.4		(250.0)	332.9	
GBP payable						
2 – 5 years	(50.0)	77.8	0.6427	–	–	–
	(50.0)	77.8		–	–	
	2013			2012		
	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
CCIRS: USD receivable						
CNY payable						
Less than 1 year	–	–	–	(402.6)	60.0	6.7099
	–	–		(402.6)	60.0	

23 Financial risk management continued

(a) Market risk continued

Foreign exchange risk continued

At 30 June 2013, Goodman's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Goodman has entered into both USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2013			2012		
CCIRS: USD receivable: Expiry by currency	Amounts payable LC'M	Amounts receivable USD'M	Weighted average exchange rate USD/LC	Amounts payable LC'M	Amounts receivable USD\$M	Weighted average exchange rate USD/LC
EUR payable						
Over 5 years	(376.7)	525.0	0.7175	(531.2)	735.0	0.7228
	(376.7)	525.0		(531.2)	735.0	
GBP payable						
Over 5 years	(221.8)	355.0	0.6247	(255.7)	410.0	0.6237
	(221.8)	355.0		(255.7)	410.0	
CCIRS: JPY receivable	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP	Amounts payable GBP'M	Amounts receivable JPY'M	Weighted average exchange rate JPY/GBP
GBP payable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	11,300.0		(85.9)	11,300.0	

Additionally, the Consolidated Entity may enter into forward foreign exchange contracts to hedge a proportion of the income received/receivable from its investments denominated in overseas currencies. Goodman has no foreign exchange contracts in place at 30 June 2013, but details of contracts that were in place at the end of the prior financial year are set out below:

	2013			2012		
Forward contract: AUD receivable	Expiry date	Amounts receivable AUD'M	Weighted average exchange rate LC/AUD	Expiry date	Amounts receivable AUD'M	Weighted average exchange rate LC/AUD
NZD payable	by 30 Jun 2013	–	–	by 30 Jun 2013	4.2	1.1932
HKD payable	by 30 Jun 2013	–	–	by 30 Jun 2013	12.8	4.9077

Sensitivity analysis

At 30 June 2013, if the Australian dollar had strengthened by 5% (2012: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders would have increased by A\$7.7 million (2012: A\$3.3 million decrease). If the Australian dollar had weakened by 5% (2012: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders would have decreased by A\$8.5 million (2012: A\$3.7 million increase).

Notes to the consolidated financial statements

Continued

23 Financial risk management continued

(a) Market risk continued

Interest rate risk

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

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2013, are set out below:

	Interest bearing liabilities AUD'M	Impact of derivatives: CCIRS ¹ AUD'M	IRS AUD'M	Net interest rate exposure AUD'M
30 June 2013				
Fixed rate liabilities	1,977.2	(1,072.1)	929.7	1,834.3
Floating rate liabilities	273.1	1,129.6	(929.7)	473.0
	2,250.3	57.5	-	2,307.3
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

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 2013, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

Years from balance date	2013		2012	
	Fixed interest rate exposure AUD'M	Weighted average interest rate % per annum	Fixed interest rate exposure AUD'M	Weighted average interest rate % per annum
1 year	2,110.4	4.87	2,090.3	4.48
2 years	1,889.9	4.91	2,083.3	4.50
3 years	1,575.4	5.76	1,873.0	4.64
4 years	1,205.4	6.70	1,212.0	5.98
5 years	1,005.7	7.26	760.6	7.63

Sensitivity analysis

At 30 June 2013, if interest rates on borrowings had been 100 basis points per annum (2012: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Unitholders for the financial year would have been A\$0.2 million lower/higher (2012: A\$0.1 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'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.

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 2013								
Non-derivative financial liabilities								
Payables	225.5	237.9	155.9	16.0	11.0	19.4	16.2	19.4
Bank loans, unsecured ¹	235.5	291.0	–	175.8	91.5	0.7	–	23.0
Euro medium-term notes, unsecured	411.7	655.8	78.7	40.3	40.4	40.3	40.3	415.8
United States senior notes, unsecured	1,428.6	2,191.0	108.6	90.3	90.5	90.3	90.3	1,721.0
Foreign private placement, unsecured	174.5	231.3	6.7	5.5	5.5	5.5	5.5	202.6
Total non-derivative financial liabilities	2,475.8	3,607.0	349.9	327.9	238.9	156.2	152.3	2,381.8
Derivative financial liabilities/(assets) – net								
Net settled ²	79.9	85.1	29.2	23.3	14.8	11.0	6.0	0.8
Gross settled ³ :								
(Inflow)	–	(745.0)	(104.0)	(108.9)	(113.9)	(110.5)	(88.0)	(219.7)
Outflow	39.3	776.9	51.0	59.0	104.8	86.5	208.7	266.9
Total derivative financial liabilities/(assets) – net	119.2	117.0	(23.8)	(26.6)	5.7	(13.0)	126.7	48.0
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
United States senior notes, unsecured	382.9	644.1	72.9	37.3	37.3	37.4	37.3	421.9
Euro medium-term 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/(assets) – net								
Net settled ²	108.2	98.5	18.9	30.6	24.1	15.9	7.3	1.7
Gross settled ³ :								
(Inflow)	(192.4)	(923.7)	(106.9)	(107.1)	(107.1)	(105.1)	(96.3)	(401.2)
Outflow	–	728.4	60.0	61.5	62.8	86.2	98.0	359.9
Total derivative financial (assets)/liabilities – net	(84.2)	(96.8)	(28.0)	(15.0)	(20.2)	(3.0)	9.0	(39.6)

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

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

3. Gross settled relates to CCIRS.

Notes to the consolidated financial statements

Continued

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 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:

	Note	Carrying amount 2013 \$M	Fair value ¹ 2013 \$M	Carrying amount 2012 \$M	Fair value ¹ 2012 \$M
Consolidated					
Financial assets					
Cash	21(a)	405.1	405.1	261.0	261.0
Receivables:	5				
– Loans and receivables		2,097.4	2,097.4	2,113.6	2,113.6
– Trade and other receivables		40.9	40.9	57.8	57.8
– IRS		16.5	16.5	11.6	11.6
– CCIRS		104.1	104.1	217.1	217.1
– Foreign exchange contracts		–	–	4.9	4.9
		2,664.0	2,664.0	2,666.0	2,666.0
Financial liabilities					
Payables:	11				
– Trade payables and other payables and accruals		225.5	225.5	210.4	210.4
– IRS		96.4	96.4	124.7	124.7
– CCIRS		143.3	143.3	24.7	24.7
Interest bearing liabilities ²	13	2,250.3	2,490.8	2,347.2	2,488.0
Provisions	12	77.8	77.8	146.8	146.8
		2,793.3	3,033.8	2,853.8	2,994.6

1. The methods used for determining fair values of financial instruments are discussed in notes 1, 2 and 5.

2. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2013.

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 2013				
Derivative financial assets	–	120.6	–	120.6
	–	120.6	–	120.6
Derivative financial liabilities	–	239.7	–	239.7
	–	239.7	–	239.7
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

24 Commitments

	Consolidated	
	2013 \$M	2012 \$M
Capital expenditure commitments on the Consolidated Entity's existing portfolio		
Contracted but not provided for and payable:		
– Within one year	–	30.6
– One year or later and no later than five years	–	2.4
– Later than five years	–	–
	–	33.0

At 30 June 2013, the Consolidated Entity was also committed to the following expenditure in respect of development activities:

- + \$nil (2012: \$44.9 million) on inventories;
- + \$nil (2012: \$3.1 million) on construction contracts; and
- + \$23.5 million (2012: \$36.4 million) on funding for developments in JVEs.

Notes to the consolidated financial statements

Continued

24 Commitments continued

Commitment to invest in funds managed by Goodman Group

At 30 June 2013, subject to amounts being called by the relevant fund board or committee, the Consolidated Entity was committed to invest:

- + A\$nil (30 June 2012: A\$58.0 million) into GCLHL to fund property acquisitions; and
- + A\$435.0 million (30 June 2012: A\$nil) into GNAP to fund property acquisitions.

At 30 June 2013, the Consolidated Entity was committed to underwrite GAIF's distribution reinvestment plan for the quarters ending 30 June 2013, 30 September 2013 and 31 December 2013 to a maximum of \$175.1 million in equity for GAIF.

At the end of the prior financial year, the Consolidated Entity was committed to invest A\$82.1 million into GELF, being Goodman's share of the uncalled amount of the rights issue that was finalised in November 2011. This was called and paid during the current financial year.

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

Non-cancellable operating lease receivable from investment property customers

	Consolidated	
	2013 \$M	2012 \$M
Non-cancellable operating lease commitments receivable:		
– Within one year	120.9	173.4
– One year or later and no later than five years	258.3	459.3
– Later than five years	60.3	146.2
	439.5	778.9

25 Parent Entity disclosures

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

	2013 \$M	2012 \$M
Result of the Parent Entity		
Profit/(loss) for the year	81.8	(113.3)
Other comprehensive income	126.4	167.0
Total comprehensive income for the year	208.2	53.7
Financial position of the Parent Entity at year end		
Current assets	1,664.3	1,753.4
Total assets	4,756.0	5,049.8
Current liabilities	66.4	183.9
Total liabilities	66.4	183.9
Total equity of the Parent Entity comprising of:		
Issued capital	6,964.3	7,173.1
Reserves	(314.0)	(687.4)
Accumulated losses	(1,960.7)	(1,619.8)
Total equity	4,689.6	4,865.9

Parent Entity capital commitments

The Parent Entity has no capital commitments (2012: \$nil).

25 Parent Entity disclosures 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 to or proceeds for the subscription of equity in, the borrower by the investor. As at 30 June 2013, the Consolidated Entity had A\$263.0 million (2012: A\$506.4 million) of debt which had the benefit of the CDP.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 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 and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior note programme

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 13), Goodman Funding Pty Limited, a controlled entity of GIT, issued US\$325.0 million, US\$500.0 million and US\$500.0 million notes maturing on 12 November 2020, 15 April 2021 and 22 March 2022 respectively. Goodman Funds Management Limited, as responsible entity of GIT and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of the notes.

Goodman PLUS Trust hybrid securities guarantee

Goodman Funds Management Limited, as responsible entity of GIT, GL and GLHK guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS Trust hybrid securities (refer to note 17) under the terms of issue and subscription terms for those securities.

Stapling agreement with GL and GLHK

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

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

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

26 Events subsequent to balance date

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

Directors' declaration

Goodman Industrial Trust and its Controlled Entities

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

- (a) the consolidated financial statements and the notes that are set out on pages 138 to 181, 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 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors of the Responsible Entity have been given the declarations required by section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

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, 15 August 2013



Gregory Goodman
Group Chief Executive Officer

Independent auditor's report

to the Unitholders of Goodman Industrial Trust



Report on the financial report

We have audited the accompanying financial report of Goodman Industrial Trust (the Trust), which comprises the consolidated statement of financial position as at 30 June 2013, 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 2013 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

Stuart Marshall
Partner

Sydney, 15 August 2013

Consolidated financial report for Goodman Logistics (HK) Limited

and its subsidiaries for the year ended 30 June 2013

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Report of the directors

The directors have pleasure in submitting their annual financial report together with the audited financial statements of Goodman Logistics (HK) Limited (“the Company”) and its subsidiaries (collectively referred to as the “Consolidated Entity”) for the year ended 30 June 2013.

Incorporation and principal place of business

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

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

Principal activities

The principal activities of the Consolidated Entity are investment in directly and indirectly held industrial property, fund management, property management services and development management. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements.

Financial statements

The results of the Consolidated Entity for the year ended 30 June 2013 and the state of the Company and the Consolidated Entity’s affairs at that date are set out in the financial report on pages 187 to 219.

No dividends were declared during the year.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 18 to the financial statements.

Directors

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

Philip Yan Hok Fan
Ilan Douglas Ferrier
Gregory Leith Goodman
Philip John Pearce.

State of affairs

The key changes in the Consolidated Entity’s state of affairs during the year were as follows:

(a) Stapling

On 22 August 2012, Goodman Funds Management Limited as the responsible entity of GIT paid a subscription amount of HK\$4,567,164,781 for the issue by the Company of 1,605,107,474 shares to CHESS Depository Nominees Pty Limited (“CDN”) (in addition to the one share already held). CDN issued corresponding CHESS Depository Interests (“CDIs”) to GIT. Later that day, GIT carried out a distribution in specie of all its CDI interests to its unitholders so that the CDIs were stapled to each GIT unit and GL share.

The Company became a party to the Stapling Deed with GL and GIT which became effective on the implementation of the Stapling on 22 August 2012.

(b) Acquisition of Greater China entities

On 11 September 2012, the Company acquired a 100% interest in Goodman China Limited, which provides property management and development management consultancy services to Goodman Group’s Chinese properties, for US\$3,283,859 from GL.

On 22 October 2012, the Company acquired a 100% interest in Goodman China Asset Management Limited, the fund manager for Goodman China Logistics Holding Limited, for US\$233,105 from GL.

On 28 June 2013, the Company acquired:

- + a 100% interest in Goodman Developments Asia, an investment and property development company, for \$21.8 million from GIT; and
- + a 100% interest in Goodman Asia Limited, the fund manager of Goodman Hong Kong Logistics Fund, for \$47.9 million from GL.

(c) Acquisition of entities in Continental Europe

On 21 September 2012, the Company acquired:

- + a 100% interest in Goodman Management Holdings (Lux) Sàrl, the owner of the Goodman European operating companies, for €210,694,598;
- + a 100% interest in GELF Management (Lux) Sàrl, the fund manager of Goodman European Logistics Fund FCP, for €102,623,718; and
- + a 100% interest in GPO Advisory (Lux) Sàrl, the provider of property management services to Goodman Property Opportunities (Lux) Sàrl SICAR, for €3,434,320,

from Goodman Europe (Aust) Pty Ltd, a subsidiary of GL.

On 21 September 2012, the Company also acquired a 94% interest in Goodman Property Opportunities (Lux) Sàrl SICAR, a property investment and development company, for €48,747,484 from Goodman Europe Development Trust, a sub-trust of GIT.

(d) Investment in Goodman Japan Limited (GJL)

On 10 September 2012, the Company subscribed for a 42.5% interest in Goodman Japan Development Partnership (GJDP) for a consideration of ¥6.4 billion (\$72.0 million). As part of the restructuring of Goodman Group’s Japan division, the Company’s ownership in GJDP was subsequently reduced to 1.0% through a capital return by GJDP.

Effective 1 May 2013, the Company acquired a 10.0% interest in GJL, a property developer and fund manager in Japan for \$14.3 million.

Report of the directors

Continued

Directors' interests in contracts

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

Directors' interest in shares

At 30 June 2013, the Company is a member of Goodman Group. As at the end of the year, the directors held the following interests in the stapled securities of Goodman Group, which are listed on the Australian Securities Exchange:

Directors	Direct securities	Indirect securities	Total
Mr Philip Yan Hok Fan	9,443	–	9,443
Mr Ian Douglas Ferrier	122,495	–	122,495
Mr Gregory Leith Goodman	3,059	45,076,923	45,079,982
Mr Philip John Pearce	37,127	–	37,127

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

As at 30 June 2013, Mr Gregory Leith Goodman and Mr Philip John Pearce held the following performance rights:

Executive Directors	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights exercised during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Mr Gregory Leith Goodman	–	927,152	–	–	927,152	16 Nov 12	2016 – 2018
	980,000	–	–	–	980,000	25 Nov 11	2015 – 2017
	730,770	–	–	–	730,770	1 Feb 11	2014 – 2016
	780,000	–	(260,000)	–	520,000	14 May 10	2013 – 2015
Mr Philip John Pearce	–	298,013	–	–	298,013	16 Nov 12	2016 – 2018
	200,000	–	–	–	200,000	30 Sep 11	2015 – 2017
	153,847	–	–	–	153,847	1 Feb 11	2014 – 2016
	229,167	–	(76,389)	–	152,778	14 May 10	2013 – 2015

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

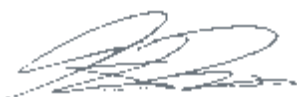
Auditors

KPMG were first appointed as auditors of the Company in 2012. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Subsequent events

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

By order of the board



Ian Douglas Ferrier, AM
Independent Chairman



Philip John Pearce
Managing Director, Greater China

Sydney, 15 August 2013

Consolidated statement of financial position

as at 30 June 2013

(expressed in Australian dollars)

	Note	Consolidated	
		2013 \$M	2012 \$M
Current assets			
Cash	23(a)	219.0	–
Receivables	10	309.7	–
Current tax receivables		0.1	–
Other assets	12	16.5	–
Total current assets		545.3	–
Non-current assets			
Receivables	10	132.9	–
Inventories	11	290.4	–
Other assets	12	21.1	–
Other financial assets	13	16.1	–
Investment properties	14	82.5	–
Investments accounted for using the equity method	16	26.2	–
Deferred tax assets	7	1.1	–
Plant and equipment		6.3	–
Total non-current assets		576.6	–
Total assets		1,121.9	–
Current liabilities			
Payables	17	1,011.3	–
Current tax payables	7	17.1	–
Employee benefits		2.5	–
Provisions		0.2	–
Total current liabilities		1,031.1	–
Non-current liabilities			
Payables	17	1.8	–
Provisions		1.5	–
Total non-current liabilities		3.3	–
Total liabilities		1,034.4	–
Net assets		87.5	–
Equity attributable to Shareholders			
Issued share capital ¹	18	–	–
Share premium		606.1	–
Reserves	19	(548.9)	–
Retained earnings	20	24.4	–
Total equity attributable to Shareholders		81.6	–
Non-controlling interests		5.9	–
Total equity		87.5	–

1. Amounts less than \$0.1 million.

Approved and authorised for issue by the board of directors on 15 August 2013.



Ian Douglas Ferrier, AM
Independent Chairman



Philip John Pearce
Managing Director, Greater China

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) Directors
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The notes on pages 192 to 219 form part of these consolidated financial statements.

Statement of financial position


as at 30 June 2013

(expressed in Australian dollars)

	Note	Consolidated	
		2013 \$M	2012 \$M
Current assets			
Cash	23(a)	2.5	–
Receivables	10	76.5	–
Total current assets		79.0	–
Non-current assets			
Other financial assets	13	16.1	–
Investments in subsidiaries	15	523.4	–
Total non-current assets		539.5	–
Total assets		618.5	–
Total current liabilities		–	–
Total non-current liabilities		–	–
Total liabilities		–	–
Net assets		618.5	–
Equity attributable to Shareholders			
Issued share capital ¹	18	–	–
Share premium		606.1	–
Reserves	19	1.0	–
Retained earnings	20	11.4	–
Total equity attributable to Shareholders		618.5	–

1. Amounts less than \$0.1 million.

Approved and authorised for issue by the board of directors on 15 August 2013.



Ian Douglas Ferrier, AM
Independent Chairman



Philip John Pearce
Managing Director, Greater China

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) Directors
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The notes on pages 192 to 219 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June 2013

(expressed in Australian dollars)

	Note	Consolidated	
		2013 \$M	2012 ¹ \$M
Revenue			
Gross property income		5.1	–
Management income		22.3	–
Development income		67.7	–
		95.1	–
Property and development expenses			
Property expenses		(2.0)	–
Development expenses		(22.4)	–
		(24.4)	–
Other income/(losses)			
Net loss from fair value adjustments on investment properties	14	(6.7)	–
Share of net results of equity accounted investments	5	(0.5)	–
		(7.2)	–
Other expenses			
Employee expenses		(27.3)	–
Share based payments expense	5	(3.8)	–
Administrative and other expenses		(10.1)	–
Impairment losses	5	(2.1)	–
		(43.3)	–
Profit before interest and tax	5	20.2	–
Net finance income/(expense)			
Finance income	6	4.1	–
Finance expense	6	(7.8)	–
Net finance expense		(3.7)	–
Profit before income tax		16.5	–
Income tax expense	7	(1.3)	–
Profit for the year		15.2	–
Profit for the year attributable to:			
Shareholders	20	13.9	–
Non-controlling interests		1.3	–
Profit for the year		15.2	–
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Effect of foreign currency translation		(0.7)	–
Other comprehensive income for the year		(0.7)	–
Total comprehensive income for the year		14.5	–
Total comprehensive income for the year attributable to:			
Shareholders		12.6	–
Non-controlling interests		1.9	–
Total comprehensive income for the year		14.5	–

1. Period from 18 January 2012 to 30 June 2012.

The notes on pages 192 to 219 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2013

(expressed in Australian dollars)

Period ended 30 June 2012 Consolidated

	Attributable to Shareholders				Total \$M	Non- controlling interests \$M	Total equity \$M
	Issued share capital ¹ \$M	Share premium \$M	Reserves \$M	Retained earnings \$M			
Balance at 18 January 2012 (date of incorporation)	-	-	-	-	-	-	-
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period, net of income tax	-	-	-	-	-	-	-
Contributions by and distributions to owners							
- Issue of shares	-	-	-	-	-	-	-
Balance at 30 June 2012	-	-	-	-	-	-	-

1. Amounts less than \$0.1 million.

Year ended 30 June 2013 Consolidated

	Note	Attributable to Shareholders				Total \$M	Non- controlling interests \$M	Total equity \$M
		Issued share capital ¹ \$M	Share premium \$M	Reserves \$M	Retained earnings \$M			
Balance at 1 July 2012		-	-	-	-	-	-	
Total comprehensive income for the year								
Profit for the year	20	-	-	-	13.9	13.9	1.3	15.2
Other comprehensive income for the year		-	-	(1.3)	-	(1.3)	0.6	(0.7)
Total comprehensive income for the year, net of income tax		-	-	(1.3)	13.9	12.6	1.9	14.5
Transfers		-	-	(10.5)	10.5	-	-	-
Contributions by and distributions to owners								
- Issue of shares to GIT	18	-	561.8	-	-	561.8	-	561.8
- Issue of shares under the Institutional Placement	18	-	40.0	-	-	40.0	-	40.0
- Issue of shares under the Security Purchase Plan	18	-	4.9	-	-	4.9	-	4.9
- Issue costs	18	-	(0.6)	-	-	(0.6)	-	(0.6)
- Equity settled share based payment expense	19(c)	-	-	1.0	-	1.0	-	1.0
Changes in ownership interests in subsidiaries								
- Acquisition of entities from Goodman Group	3(c)	-	-	(538.1)	-	(538.1)	4.0	(534.1)
Balance at 30 June 2013		-	606.1	(548.9)	24.4	81.6	5.9	87.5

1. Amounts less than \$0.1 million.

The notes on pages 192 to 219 form part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2013

(expressed in Australian dollars)

	Note	Consolidated	
		2013 \$M	2012 ¹ \$M
Cash flows from operating activities			
Property income received		6.2	–
Cash receipts from development activities		220.2	–
Other cash receipts from services provided		31.2	–
Property expenses paid		(2.2)	–
Payments for development activities		(178.4)	–
Other cash payments in the course of operations		(32.0)	–
Finance costs paid		(3.3)	–
Net income taxes paid		(3.0)	–
Net cash provided by operating activities	23(b)	38.7	–
Cash flows from investing activities			
Proceeds from disposal of investment properties		2.2	–
Capital return from equity investments		70.2	–
Payments for equity investments		(88.1)	–
Payments for investment properties		(8.0)	–
Payments for controlled entities, net of cash acquired		129.8	–
Net cash provided by investing activities		106.1	–
Cash flows from financing activities			
Net cash flows from loans from related parties		51.6	–
Net cash provided by financing activities		51.6	–
Net increase in cash held		196.4	–
Cash at the beginning of the year/period		–	–
Effect of exchange rate fluctuations on cash held		22.6	–
Cash at the end of the year/period	23(a)	219.0	–

1. Period from 18 January 2012 to 30 June 2012.

The notes on pages 192 to 219 form part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Statement of significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company and the Consolidated Entity is set out below.

The Company has not applied any new amendments or standards that are not yet effective for the current year. A summary of the significant accounting policies adopted by the Consolidated Entity is set out below.

(b) Basis of preparation of the consolidated financial statements

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

As at 30 June 2013, the Consolidated Entity had net current liabilities of \$485.8 million. In accordance with the stapling agreement between the Company, GL and Goodman Funds Management Limited as responsible entity for GIT, on request, each party (and its subsidiaries) must provide financial support to the other party (and its subsidiaries). The financial support to the other party (and its subsidiaries) may include:

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

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

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

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

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

(c) Principles of consolidation

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 2013 and the results of all such entities for the year ended 30 June 2013.

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.

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

Associates

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

1 Statement of significant accounting policies continued

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 statement of comprehensive income from the date joint control commences to the date joint control ceases. Movements in reserves are recognised directly in the consolidated reserves.

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.

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with 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 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.

Combination of entities or businesses under common control

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

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

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

(d) 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.

Management income

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

Development income

Development income comprises fee income from development management contracts 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 statement of comprehensive income in proportion to the stage of completion of the relevant contracts. The stage of completion is assessed by reference to costs incurred to date as a percentage of estimated total costs for each contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

Finance income

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

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(e) 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 reporting date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

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

Translation of controlled foreign operations

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

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

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

(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 statements. Investment properties are not depreciated as they are subject to continual maintenance and regularly revalued on the basis described below.

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

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

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

Stabilised investment properties

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

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

1 Statement of significant accounting policies continued

(f) Investment properties continued

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 at each reporting date.

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. Changes in fair value are recognised directly in the statement of comprehensive income. Net unrealised fair value adjustments on investment properties are transferred to the asset revaluation reserve from retained earnings.

Deposits for investment properties

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

Disposal of investment properties

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

(g) Inventories

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

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

(h) Financial instruments

Non-derivative financial assets

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

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

Available for sale financial assets

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

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

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(h) Financial instruments continued

Non-derivative financial liabilities

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

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

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

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

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

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

Issued capital

Ordinary shares

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

(i) Finance costs

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

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

(j) 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(g); and deferred tax assets, refer to note 1(o)) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The impairment is recognised in the statement of comprehensive income in the reporting period in which it occurs.

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

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

Financial assets

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

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

1 Statement of significant accounting policies continued

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

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

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

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

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

(k) Provisions

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

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

Dividends payable

Provisions for dividends payable are recognised in the reporting period in which the dividends are declared.

Rental guarantees

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

(l) Segment reporting

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

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

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

Notes to the consolidated financial statements

Continued

1 Statement of significant accounting policies continued

(m) Related parties

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

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

(n) Employee benefits

Wages, salaries and annual leave

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

Defined contribution superannuation funds

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

Share based payment transactions

The fair value of rights and options over stapled securities, granted to employees of the Consolidated Entity by Goodman Group, at the grant date is recognised as a share based payment expense in the results of the Consolidated Entity with a corresponding increase in equity. The share based payment expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of rights or options for which the related service and non-market vesting conditions are expected to be met. The fair values of rights and options are measured at the grant date using a combination of Monte Carlo simulations and binomial pricing models.

(o) Income tax

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

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

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

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

1 Statement of significant accounting policies continued

(p) Accounting standards issued but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Consolidated Entity:

Effective for accounting periods beginning on or after

HKFRS 13, Fair value measurement	1 January 2013
HKFRS 9, Financial instruments	1 January 2015

The Consolidated Entity is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Consolidated Entity's results of operations and financial position.

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 knowledgeably, prudently and without compulsion.

Approach to determination of fair value

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

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

Notes to the consolidated financial statements

Continued

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

(a) Investment property values continued

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:

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

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

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

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

Market assessment

At 30 June 2013, all markets in which the Consolidated Entity operated were observed to be active and no adjustments were made to the carrying value of stabilised investment properties arising from internal valuations using DCF calculations.

The weighted average cap rates for those properties valued externally at 30 June 2013 and the overall weighted average cap rates for the portfolio (including managed funds) are set out in the table below:

Division	Total portfolio weighted average capitalisation rate	
	2013 %	2012 %
China	8.7	na
Logistics – Continental Europe	7.9	na

At 30 June 2013, the carrying value of stabilised investment properties held by the Consolidated Entity was \$39.4 million (2012: \$nil).

Investment properties under development

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

At 30 June 2013, the carrying value of investment properties under development held by the Consolidated Entity was \$43.1 million (2012: \$nil).

(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 2013, the carrying value of inventories held by the Consolidated Entity was \$290.4 million (2012: \$nil).

3 Acquisition of entities from Goodman Group

During the year, the Company acquired controlled entities in China and Continental Europe from GL and GIT as set out below:

(a) Acquisition of entities in Greater China

Entity acquired	Principal activity	Date of acquisition
Goodman China Limited	Property management and development management consultancy services	11 Sep 2012
Goodman China Asset Management Limited	Fund management	22 Oct 2012
Goodman Developments Asia	Investment and property development	28 Jun 2013
Goodman Asia Limited	Fund and property management services	28 Jun 2013

Carrying values of assets acquired and liabilities assumed

	Goodman China Limited \$M	Goodman China Asset Management Limited \$M	Goodman Developments Asia \$M	Goodman Asia Limited \$M
Cash	15.8	–	66.6	15.5
Receivables	1.3	–	18.9	5.0
Inventories	–	–	148.2	–
Other assets	22.3	0.3	20.0	2.9
Payables	(36.2)	(0.1)	(231.9)	(20.8)
Net assets acquired	3.2	0.2	21.8	2.6
Total consideration	3.2	0.2	21.8	47.9

(b) Acquisition of entities in Continental Europe

Entity acquired	Principal activity	Date of acquisition
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	21 Sep 2012
GELF Management (Lux) Sàrl	Fund management	21 Sep 2012
GPO Advisory (Lux) Sàrl	Property management services	21 Sep 2012
Goodman Property Opportunities (Lux) Sàrl SICAR	Property investment and development	21 Sep 2012

Carrying values of assets acquired and liabilities assumed

	Goodman Management Holdings (Lux) Sàrl \$M	GELF Management (Lux) Sàrl \$M	GPO Advisory (Lux) Sàrl \$M	Goodman Property Opportunities (Lux) Sàrl SICAR \$M
Cash	7.2	2.9	–	21.8
Receivables	18.9	2.5	4.3	142.8
Investment properties	43.6	–	–	33.9
Investments accounted for using the equity method	–	–	–	1.2
Inventories	21.5	–	–	92.3
Other assets	19.7	–	–	3.4
Payables	(222.2)	(2.8)	(0.1)	(231.8)
Net (liabilities assumed)/assets acquired	(111.3)	2.6	4.2	63.6
Total consideration	258.2	125.8	4.2	59.7

Notes to the consolidated financial statements

Continued

3 Acquisition of entities from Goodman Group continued

(c) Amount transferred to common control reserve

	\$M
Total consideration transferred	521.0
Non-controlling interests, based on proportionate interest in the recognised amounts of the assets and liabilities of Goodman Property Opportunities (Lux) Sàrl SICAR	4.0
Carrying value of net liabilities	13.1
Amount transferred to common control reserve	538.1

The amount transferred to the common control reserve represents the difference between the consideration paid and the carrying value of the net assets of the entities.

4 Segment reporting

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

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

Information about reportable segments

Consolidated statement of comprehensive income	Asia		Continental Europe		Total	
	2013 \$M	2012 ² \$M	2013 \$M	2012 ² \$M	2013 \$M	2012 ² \$M
External revenue						
Gross property income	–	–	5.1	–	5.1	–
Management income	3.3	–	19.0	–	22.3	–
Development income	6.4	–	61.3	–	67.7	–
Total external revenue	9.7	–	85.4	–	95.1	–
Reportable segment profit before tax¹	6.1	–	38.1	–	44.2	–
Other material non-cash items not included in reportable segment profit before tax						
Net loss from fair value adjustments on investment properties	–	–	(6.7)	–	(6.7)	–
Impairment losses	–	–	(2.1)	–	(2.1)	–
Other key components of financial performance included in reportable segment profit before tax						
Share of net results of equity accounted investments	–	–	(0.5)	–	(0.5)	–

1. Reportable segment profit before tax comprises profit attributable to Shareholders adjusted for property valuations, impairment losses and other non-cash or non-recurring items.

2. Period from 18 January 2012 to 30 June 2012.

4 Segment reporting continued

Consolidated statement of financial position	Asia		Continental Europe		Total	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Reportable segment assets	494.9	-	546.4	-	1,041.3	-
Investments in equity accounted investments (included in reportable segment assets)	20.2	-	6.0	-	26.2	-
Total non-current assets	325.3	-	251.3	-	576.6	-
Reportable segment liabilities	55.2	-	75.7	-	130.9	-

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

	2013 \$M	2012 ¹ \$M
Revenue		
Total revenue for reportable segments	95.1	-
Consolidated revenue	95.1	-
Profit or loss		
Total profit before tax for reportable segments	44.2	-
Other non-cash items not included in reportable segment profit before tax	(9.6)	-
Unallocated amounts: other corporate expenses	(10.6)	-
Unallocated amounts: Share based payments expense	(3.8)	-
Net finance expense – refer to note 6	(3.7)	-
Consolidated profit before income tax	16.5	-

1. Period from 18 January 2012 to 30 June 2012.

	2013 \$M	2012 \$M
Assets		
Total assets for reportable segments	1,041.3	-
Other unallocated amounts ¹	80.6	-
Consolidated total assets	1,121.9	-
Liabilities		
Total liabilities for reportable segments	130.9	-
Other unallocated amounts ¹	903.5	-
Consolidated total liabilities	1,034.4	-

1. Other unallocated amounts comprise principally receivables from and payables to GL and GIT.

Notes to the consolidated financial statements

Continued

5 Profit before interest and tax

	2013 \$M	2012 ¹ \$M
Profit before interest and tax has been arrived at after crediting/(charging) the following items:		
Share of net results of equity accounted investments	(0.5)	–
Share based payment expense	(3.8)	–
Depreciation of plant and equipment	(0.9)	–
Impairment losses on receivables	(2.1)	–
Auditor's remuneration	(0.3)	–
Salaries, wages and other benefits	(26.8)	–
Contributions to defined contribution retirement plans	(0.5)	–
Operating lease expense	(2.6)	–

1. Period from 18 January 2012 to 30 June 2012.

6 Finance income and expense

	Consolidated	
	2013 \$M	2012 ¹ \$M
Finance income		
Interest income on loans to related parties	2.2	–
Foreign exchange gain	1.9	–
	4.1	–
Finance expense		
Interest expense on loans from related parties	(14.6)	–
Other borrowing costs	(0.4)	–
Capitalised borrowing costs	7.2	–
	(7.8)	–
Net finance expense	(3.7)	–

1. Period from 18 January 2012 to 30 June 2012.

Borrowing costs were capitalised to inventories and investment properties under development during the financial year at rates between 3.0% and 3.7% per annum (2012: nil).

7 Income tax expense

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

	Consolidated	
	2013 \$M	2012 ¹ \$M
Current tax expense – Hong Kong profits tax		
Current year	(0.1)	–
Current tax expense – Overseas		
Current year	(1.1)	–
Deferred tax expense		
Origination and reversal of temporary differences	(0.1)	–
Total income tax expense	(1.3)	–

1. Period from 18 January 2012 to 30 June 2012.

The provision for Hong Kong profits tax for FY2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7 Income tax expense continued

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

	Consolidated	
	2013 \$M	2012 ¹ \$M
Profit before income tax	16.5	-
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	(4.8)	-
Decrease/(increase) in income tax due to:		
- Current year losses for which no deferred tax asset was recognised	(5.5)	-
- Non-assessable income	9.7	-
- Non-deductible expense	(0.7)	-
Income tax expense	(1.3)	-

1. Period from 18 January 2012 to 30 June 2012.

(c) Net income tax payable

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Net balance at the beginning of the year	-	-	-	-
Increase/(decrease) in current net tax payable due to:				
- Acquisition of controlled entities	(16.9)	-	-	-
- Net income taxes paid	3.0	-	-	-
- Net income tax expense on current period's profit	(1.2)	-	-	-
- Other	(1.9)	-	-	-
Net balance at the end of the year	(17.0)	-	-	-
Current tax receivables	0.1	-	-	-
Current tax payables	(17.1)	-	-	-
	(17.0)	-	-	-

(d) Deferred tax assets and liabilities

Deferred tax assets of \$1.1 million arising from tax losses were recognised in the consolidated statement of financial position. Of this amount, \$0.1 million relates to current year tax losses and \$1.0 million was acquired on acquisition of a controlled entity.

No deferred tax has been recorded by the Company in the current year (2012: \$nil).

8 Dividends

No dividends were declared or paid to equity shareholders of the Company during the year (2012: \$nil).

9 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$11.4 million (2012: \$nil) which has been dealt with in the financial statements of the Company.

Notes to the consolidated financial statements

Continued

10 Receivables

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Current				
Trade receivables	7.3	–	–	–
Other receivables	61.0	–	–	–
Construction contract receivables	133.4	–	–	–
Amounts due from related parties	27.4	–	76.5	–
Loans to related parties	80.6	–	–	–
	309.7	–	76.5	–
Non-current				
Loans to related parties	130.5	–	–	–
Other receivables	2.4	–	–	–
	132.9	–	–	–

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

Trade receivables

As at 30 June 2013, trade receivables of \$nil were impaired (2012: \$nil). The ageing analysis of these trade receivables (before impairment) is as follows:

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Overdue by:				
Up to 1 month	0.2	–	–	–
1 month to 4 months	0.5	–	–	–
Greater than 4 months	0.3	–	–	–
	1.0	–	–	–

Other receivables

At 30 June 2013, none of the other receivables balance was overdue or impaired (2012: \$nil).

Amounts due from related parties

At 30 June 2013, none of the amounts due from related parties was overdue or impaired (2012: \$nil). The amounts due from related parties are repayable within 30 days.

Loans to related parties

Loans to related parties principally relate to loans to fellow controlled entities of GL and loans to associates and JVEs. Refer to note 21(b) for details of loans to related parties. At 30 June 2013, loans to related parties of \$nil were impaired (2012: \$nil).

11 Inventories

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Non-current				
Development land	290.4	–	–	–
	290.4	–	–	–

During the financial year, impairments of \$nil (2012: \$nil) were recognised to write down development land to its net realisable value.

12 Other assets

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Current				
Prepayments	16.5	–	–	–
	16.5	–	–	–
Non-current				
Other property assets	21.1	–	–	–
	21.1	–	–	–

13 Other financial assets

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Available for sale equity securities				
Investment in unlisted securities ¹	16.1	–	16.1	–
	16.1	–	16.1	–

1. Principally relates to the Consolidated Entity's 10.0% interest in GJL, but also includes a 1.0% interest in Goodman Japan Development Partnership (GJDP).

14 Investment properties

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Carrying amount at the beginning of the period	–	–	–	–
Cost of acquisition:				
– On acquisition of controlled entities	77.5	–	–	–
Capital expenditure	10.3	–	–	–
Carrying value of properties sold	(2.2)	–	–	–
Transfers to inventories	(5.1)	–	–	–
Net loss from fair value adjustments	(6.7)	–	–	–
Effect of foreign currency translation	8.7	–	–	–
Carrying amount at the end of the year/period	82.5	–	–	–
Analysed as:				
Stabilised investment properties	39.4	–	–	–
Investment properties under development	43.1	–	–	–
	82.5	–	–	–

Notes to the consolidated financial statements

Continued

15 Investments in subsidiaries

	Company	
	2013 \$M	2012 \$M
Unlisted shares, at cost	523.4	–
Less: Impairment loss	–	–
	523.4	–

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

Significant controlled companies	Principal activities	Country of incorporation	Interest held	
			2013 %	2012 %
Goodman Developments Asia	Investment and property development	Cayman Islands	100.0	–
Goodman Asia Limited	Fund and property management services	Hong Kong	100.0	–
Goodman China Limited	Property management and development management consultancy services	Hong Kong	100.0	–
Goodman China Asset Management Limited	Fund management	Cayman Islands	100.0	–
GELF Management (Lux) Sàrl	Fund management	Luxembourg	100.0	–
Goodman Management Holdings (Lux) Sàrl	Intermediate holding company	Luxembourg	100.0	–
GPO Advisory (Lux) Sàrl	Property management services	Luxembourg	100.0	–
Goodman Property Opportunities (Lux) Sàrl, SICAR	Property investment and development	Luxembourg	94.0	–

16 Investments accounted for using the equity method

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Share of net assets accounted for using the equity method				
Associates	20.2	–	–	–
Joint venture entities (JVEs)	6.0	–	–	–
Total	26.2	–	–	–

Investment in associates

	Consolidated	
	2013 \$M	2012 \$M
Movements in carrying amount of investments in associate		
Carrying amount at the beginning of the year/period	–	–
Share of net results	–	–
Share of movements in reserves	–	–
Acquisitions	18.3	–
Effect of foreign currency translation	1.9	–
Carrying amount at the end of the year/period	20.2	–

16 Investments accounted for using the equity method continued

Investment in associates continued

The Consolidated Entity's investment in associate is set out below:

Name	Country of incorporation	Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2013 \$M	2012 ¹ \$M	2013 %	2012 %	2013 \$M	2012 \$M
Property development associate							
Goodman China Logistics Holding Limited (GCLHL)	Cayman Islands	–	–	20.0	–	20.2	–
		–	–		–	20.2	–

1. Period from 18 January 2012 to 30 June 2012.

Investments in JVEs

	Consolidated	
	2013 \$M	2012 \$M
Movements in carrying amount of investments in JVEs		
Carrying amount at the beginning of the year/period	–	–
Share of net results after tax	(0.5)	–
Acquisitions:		–
– On acquisition of controlled entities (refer to note 3)	1.2	–
– Other acquisitions ¹	76.6	–
Capital return	(70.2)	–
Reclassified to other financial assets	(1.8)	–
Effect of foreign currency translation	0.7	–
Carrying amount at the end of the year/period	6.0	–

1. Other acquisitions include an amount of JPY6.4 billion (\$72.0 million) paid for a 42.5% interest in GJDP. As part of the restructuring of Goodman Group's Japan division, the Company's ownership in GJDP was subsequently reduced to 1.0% through a capital return by GJDP. Following the capital return, the investment in GJDP was classified as an other financial asset.

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

Name	Country of incorporation	Consolidated share of JVE's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
		2013 \$M	2012 ¹ \$M	2013 %	2012 %	2013 \$M	2012 \$M
Property development JVEs							
Üllő One 2008 Kft	Hungary	(0.2)	–	50.0	–	1.4	–
Üllő Two 2008 Kft	Hungary	(0.5)	–	50.0	–	1.4	–
WMP NV	Belgium	0.2	–	50.0	–	3.2	–
		(0.5)	–			6.0	–

1. Period from 18 January 2012 to 30 June 2012.

Notes to the consolidated financial statements

Continued

16 Investments accounted for using the equity method continued

Summary financial information of associate

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 (100%) \$M
GCLHL	2013	–	–	710.0	608.8	101.2
	2012 ²	–	–	–	–	–

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. Period from 18 January 2012 to 30 June 2012.

Summary financial information of JVEs

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 (100%) \$M
Üllő One 2008 Kft	2013	0.9	(0.4)	14.7	12.0	2.7
	2012 ²	–	–	–	–	–
Üllő Two 2008 Kft	2013	–	(0.9)	6.8	4.0	2.8
	2012 ²	–	–	–	–	–
WMP NV	2013	–	0.4	6.4	–	6.4
	2012 ²	–	–	–	–	–

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. Period from 18 January 2012 to 30 June 2012.

17 Payables

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Current				
Trade payables	42.5	–	–	–
Other payables and accruals	77.5	–	–	–
Loans from related parties	891.3	–	–	–
	1,011.3	–	–	–
Non-current				
Other payables and accruals	1.8	–	–	–
	1.8	–	–	–

Loans from related parties

Loans from related parties principally relate to loans from controlled entities of GL and GIT. Refer to note 21(b) for details of loans from related parties.

18 Share capital

	2013	2012	2013	2012
	Number of shares		\$M	\$M
Authorised share capital				
Ordinary shares of HK\$0.0001 each	100,000,000,000	100,000,000,000	1	1
Ordinary shares, issued and fully paid:				
At 1 July	1	–	– ¹	–
Issued on incorporation	–	1	–	– ¹
Shares issued to Chess Depository Nominees Pty Limited	1,605,107,474	–	– ¹	–
Shares issued to employees of Goodman Group	2,456,129	–	– ¹	–
Shares issued under Goodman Group's Institutional Placement	94,117,700	–	– ¹	–
Shares issued under the Security Purchase Plan	11,552,643	–	– ¹	–
At 30 June	1,713,233,947	1	– ¹	– ¹
Share premium			606.7	–
Accumulated issue costs			(0.6)	–
Total issued capital			606.1	–

1. Amounts less than \$0.1 million.

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

On 22 August 2012, GIT paid a subscription amount of HK\$4,567,164,781 (\$561.8 million) for the issue of 1,605,107,474 shares by the Company to CHES Depository Nominees Pty Limited ("CDN") (in addition to the one share already held). CDN issued corresponding CHES Depository Interests ("CDIs") to GIT. Later that day, GIT carried out a distribution in specie of all its CDI interests to its unitholders so that the CDIs were stapled to each GIT unit and GL share.

During the year, the Company issued 94,117,700 shares for a subscription amount of \$40.0 million under Goodman Group's Institutional Placement, 11,552,643 shares for a subscription amount of \$4.9 million under Goodman Group's Security Purchase Plan and 2,456,129 shares at par to CDN under the Goodman Group Long Term Incentive Plan.

Notes to the consolidated financial statements

Continued

19 Reserves

	Note	Consolidated		Company	
		2013 \$M	2012 \$M	2013 \$M	2012 \$M
Asset revaluation reserve	19(a)	(10.5)	–	–	–
Foreign currency translation reserve	19(b)	(1.3)	–	–	–
Employee compensation reserve	19(c)	1.0	–	1.0	–
Common control reserve	19(d)	(538.1)	–	–	–
Total reserves		(548.9)	–	1.0	–

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

	Consolidated		Company	
	2013 \$M	2012 ¹ \$M	2013 \$M	2012 ¹ \$M
(a) Asset revaluation reserve				
Balance at the beginning of the year/period	–	–	–	–
Transfers from retained earnings	(10.5)	–	–	–
Balance at the end of the year/period	(10.5)	–	–	–

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

(b) Foreign currency translation reserve

Balance at the beginning of the year/period	–	–	–	–
Net exchange differences on conversion of foreign operations	(1.3)	–	–	–
Balance at the end of the year/period	(1.3)	–	–	–

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

(c) Employee compensation reserve

Balance at the beginning of the year/period	–	–	–	–
Equity settled share based payments expense recognised in the statement of comprehensive income	1.0	–	1.0	–
Balance at the end of the year/period	1.0	–	1.0	–

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

(d) Common control reserve

Balance at the beginning of the year/period	–	–	–	–
Acquisition of entities from Goodman Group	(538.1)	–	–	–
Balance at the end of the year/period	(538.1)	–	–	–

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

1. Period from 18 January 2012 to 30 June 2012.

20 Retained earnings

	Consolidated		Company	
	2013 \$M	2012 ¹ \$M	2013 \$M	2012 ¹ \$M
Balance at the beginning of the year/period	–	–	–	–
Profit for the year/period	13.9	–	11.4	–
Transfers to asset revaluation reserve	10.5	–	–	–
Balance at the end of the year/period	24.4	–	11.4	–

1. Period from 18 January 2012 to 30 June 2012.

21 Related party transactions**(a) Directors' remuneration**

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Consolidated	
	2013 \$M	2012 ¹ \$M
Movements in carrying amount of investments in associate		
Directors' fees	0.7	–
Salaries, allowances and benefits in kind	1.9	–
Discretionary bonuses	3.8	–
Retirement scheme contribution	0.1	–
Share based payments	2.7	–
	9.2	–

1. Period from 18 January 2012 to 30 June 2012.

(b) Transactions with related parties**Acquisition of entities from Goodman Group**

During the year, the Company acquired controlled entities in Greater China and Continental Europe from GL and GIT as set out in note 3.

The other transactions with related parties during the financial year were as follows:

	Revenue from disposal of assets		Management services and other income	
	2013 \$M	2012 ¹ \$M	2013 \$M	2012 ¹ \$M
Associate				
GCLHL	–	–	9.6	–
Related parties of GL and GIT				
Goodman Trust Australia	–	–	1.9	–
Goodman European Logistics Fund	9.8	–	22.8	–
Goodman Princeton Holdings (Lux) Sàrl	7.2	–	0.9	–
Other related parties	–	–	1.4	–
	17.0	–	27.0	–

1. Period from 18 January 2012 to 30 June 2012.

Notes to the consolidated financial statements

Continued

21 Related party transactions continued

(b) Transactions with related entities continued

Financing arrangements with related parties

	Amounts due from related parties		Loans to related parties ¹		Loans from related parties ¹		Interest charged on loans to/from related parties	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Associate								
– GCLHL	–	–	110.6	–	–	–	–	–
	–	–	110.6	–	–	–	–	–
JVEs								
– Üllő One 2008 Kft	–	–	5.9	–	–	–	0.2	–
– Üllő Two 2008 Kft	–	–	1.9	–	–	–	0.1	–
	–	–	7.8	–	–	–	0.3	–
GL and GIT	–	–	80.6	–	(891.3)	–	(14.6)	–
Related parties of GL and GIT								
Goodman Hong Kong Logistics Fund	3.3	–	–	–	–	–	–	–
Goodman Trust Australia	0.4	–	–	–	–	–	–	–
Goodman European Logistics Fund	21.8	–	8.8	–	–	–	1.7	–
Goodman Princeton Holdings (Lux) Sàrl	1.1	–	–	–	–	–	–	–
Other related parties	0.8	–	3.3	–	–	–	0.2	–
	27.4	–	12.1	–	–	–	1.9	–

1. Loans by the Consolidated Entity to/from associates, JVEs and other related parties have generally been provided on an arm's length basis. At 30 June 2013, 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 \$8.8 million (2012: \$nil) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Logistics Fund, and incurred interest at 6.9% per annum;
- + loans from controlled entities of GL and GIT amounting to \$891.3 million are repayable on demand. Of this amount, \$884.7million is interest bearing and \$6.4 million is non-interest bearing. The interest bearing loans incur interest at rates ranging from 2.9% to 7.5% per annum; and
- + loans to GIT and its controlled entities amounting to \$80.6 million are repayable on demand. Of this amount, \$64.4 million is interest bearing and \$16.2 million is non-interest bearing. The interest bearing loan incurs interest at 1.1% per annum.

22 Equity settled share based transactions

Goodman Limited provides equity based remuneration through the issue of shares under the Long Term Incentive Plan (LTIP). Under the LTIP, Goodman Group can offer performance rights (sometimes known as zero priced options) to its employees.

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

	Consolidated	
	2013 \$M	2012 ¹ \$M
Share based payments expense:		
– Equity settled	2.2	–
– Cash settled	1.6	–
	3.8	–

1. Period from 18 January 2012 to 30 June 2012.

The share based payments expense during the current financial year is in relation to the performance rights granted to employees of the Consolidated Entity under the LTIP. At 30 June 2013, a liability of \$1.6 million (2012: \$nil) was recognised in relation to cash settled performance rights.

22 Equity settled share based transactions continued

Details of Goodman Group's equity based remuneration scheme is set out below.

Long Term Incentive Plan

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

Under the terms of the LTIP and decisions made by the Directors of Goodman Group in accordance with the plan, the issues of performance rights on 30 September 2012 to employees were subject to the following broad terms:

- + the exercise of 25% of the total performance rights will be conditional on Goodman Group achieving a Total Securityholder return (TSR) in excess of that achieved by 50% of listed entities in the S&P/ASX 200 index and the exercise of 75% of the total performance rights will be conditional on Goodman Group achieving an operating earnings per share (EPS) outcome at least at the target level notified to the market over a three year 'testing period' which ends on 30 June 2015 and continued employment (subject to special circumstances e.g. death, total and permanent disability, redundancy or retirement). To the extent that Goodman Group achieves the aggregate target operating EPS, 100% of the tranche will vest; to the extent Goodman Group exceeds the 51st percentile in TSR, there are proportionate increases in vesting of performance rights up to 100% at the 76th percentile under the grants made pursuant to the rules and disclosed to the market;
- + performance rights lapse on the earlier of approximately five years from the offer or the termination of the employee's employment (unless such termination is due to special circumstances); and
- + performance rights vest in three equal tranches on 3 September 2015, 2 September 2016 and 1 September 2017.

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

	Number of rights	
	2013	2012
Outstanding at the beginning of the year/period	–	–
Issued	7,238,216	–
Exercised	–	–
Forfeited	–	–
Outstanding at the end of the year/period	7,238,216	–
Exercisable at the end of the year/period	–	–

The model inputs for performance rights granted during the year ended 30 June 2013 include the following:

	Rights issued on 16 Nov 2012	Rights issued on 12 Oct 2012
Fair value at measurement date (\$)	3.37	3.15
Security price (\$)	4.49	4.13
Exercise price (\$)	–	–
Expected volatility (%)	27.0	27.0
Rights expected weighted average life (years)	3.8	3.9
Dividend/distribution yield per annum (%)	4.32	4.70
Average risk free rate of interest per annum (%)	3.2	3.2

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

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

Notes to the consolidated financial statements

Continued

23 Notes to the consolidated cash flow statement

(a) Reconciliation of cash

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

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Cash assets	219.0	-	2.5	-

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

	Consolidated	
	2013 \$M	2012 ¹ \$M
Profit for the year/period	15.2	-
Non-cash items		
Amortisation and depreciation	0.9	-
Share based payments expense	3.8	-
Net loss on fair value adjustments on investment properties	6.7	-
Impairment losses	2.1	-
Share of net results of equity accounted investments	0.5	-
Net finance expense	3.7	-
Income tax expense	1.3	-
Operating profit before changes in working capital and provisions	34.2	-
Changes in assets and liabilities during the year/period:		
- Increase in receivables	(2.9)	-
- Decrease in inventories	4.3	-
- Decrease in other assets	6.2	-
- Increase in payables	3.2	-
	45.0	-
Net finance costs paid	(3.3)	-
Net income taxes paid	(3.0)	-
Net cash provided by operating activities	38.7	-

1. Period from 18 January 2012 to 30 June 2012.

(c) Non-cash financing and investing activities

On 22 August 2012, the Company issued share capital of \$561.8 million to GIT which was satisfied by GIT issuing promissory notes to the Company.

Subsequent to 22 August 2012:

- + the Company issued additional shares for a subscription amount of \$44.9 million, which was satisfied by a receivable from GIT; and
- + the Consolidated Entity acquired certain entities from Goodman Group (refer to note 3). The consideration for the entities that were acquired from GIT was satisfied by a cancellation of \$81.5 million of the promissory notes issued by GIT. The consideration for the entities that were acquired from GL was satisfied by a transfer of \$439.5 million of the promissory notes.

24 Financial risk management

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

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

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

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

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

Exposure to currency risk

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

Consolidated

	Note	2013				2012			
		HKD \$M	USD \$M	EUR \$M	JPY \$M	HKD \$M	USD \$M	EUR \$M	JPY \$M
Trade and other receivables	10	24.9	163.5	209.7	–	–	–	–	–
Cash and cash equivalents	23(a)	15.5	98.0	105.3	0.2	–	–	–	–
Trade and other payables	17	(1.0)	(435.5)	(564.3)	(0.3)	–	–	–	–
		39.4	(174.0)	(249.3)	(0.1)	–	–	–	–

Company

	Note	Exposure to foreign currencies (expressed in Australian dollars)							
		2013				2012			
		HKD \$M	USD \$M	EUR \$M	JPY \$M	HKD \$M	USD \$M	EUR \$M	JPY \$M
Trade and other receivables	10	4.4	0.9	7.0	(0.3)	–	–	–	–
Cash and cash equivalents	23(a)	–	–	2.3	0.2	–	–	–	–
		4.4	0.9	9.3	(0.1)	–	–	–	–

Sensitivity analysis

At 30 June 2013, if the Australian dollar had strengthened by 5% (2012: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Shareholders would have decreased by A\$1.3 million (2012: A\$nil). If the Australian dollar had weakened by 5% (2012: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Shareholders would have increased by A\$1.5 million (2012: A\$nil).

Notes to the consolidated financial statements

Continued

24 Financial risk management continued

(a) Market risk continued

Interest rate risk

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

Sensitivity analysis

At 30 June 2013, if interest rates on borrowings had been 100 basis points per annum (2012: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Shareholders for the financial year would have been A\$7.3 million lower/higher (2012: A\$nil).

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

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

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1–2 year(s) \$M	2–3 years \$M	3–4 years \$M	4–5 years \$M	More than 5 years \$M
As at 30 June 2013								
Trade and other payables	121.8	121.8	120.0	1.8	–	–	–	–
Loans from related parties	891.3	891.3	891.3	–	–	–	–	–
Total	1,013.1	1,013.1	1,011.3	1.8	–	–	–	–
As at 30 June 2012								
Trade and other payables	–	–	–	–	–	–	–	–
Loans from related parties	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the consolidated and the Company's statement of financial position, is the carrying amount (refer to note 10).

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

From time to time, the Consolidated Entity also makes loans to associates and 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.

(d) Fair values of financial instruments

Except for available for sale equity securities which are carried at fair value, the Consolidated Entity's and Company's financial instruments are carried at cost or amortised cost.

The carrying amount of the Consolidated Entity's and Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2013 and 2012.

25 Commitments

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Non-cancellable operating lease commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
– Within one year	7.5	–	–	–
– One year or later and no later than five years	13.1	–	–	–
– Later than five years	2.1	–	–	–
	22.7	–	–	–

At 30 June 2013, the Consolidated Entity was also committed to the following expenditure in respect of development activities:

- + \$37.6 million (2012: \$nil) on inventories; and
- + \$58.2 million (2012: \$nil) on construction contracts.

Commitment to invest in funds managed by Goodman Group

At 30 June 2013, the Consolidated Entity was committed to invest \$92.1 million (2012: \$nil) into GCLHL to fund property acquisitions.

Non-cancellable operating lease receivable from investment property customers

	Consolidated		Company	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Non-cancellable operating lease from investment property customers:				
– Within one year	3.3	–	–	–
– One year or later and no later than five years	13.0	–	–	–
– Later than five years	5.1	–	–	–
	21.4	–	–	–

26 Subsequent events

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

Independent auditor's report

to the shareholders of Goodman Logistics (HK) Limited

(incorporated in Hong Kong with limited liability)



We have audited the consolidated financial statements of Goodman Logistics (HK) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 187 to 219, which comprise the consolidated and company statements of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

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

15 August 2013

Securities information

Top 20 Securityholders As at 6 September 2013	Number of securities	Percentage of total issued securities
1. HSBC Custody Nominees (Australia) Limited	473,950,433	27.58
2. J P Morgan Nominees Australia Limited	309,026,043	17.98
3. National Nominees Limited	271,450,692	15.79
4. J P Morgan Nominees Australia Limited	207,361,555	12.07
5. Citicorp Nominees Pty Limited	91,831,232	5.34
6. BNP Paribas Noms Pty Ltd <DRP>	61,817,545	3.60
7. AMP Life Limited	39,450,213	2.30
8. J P Morgan Nominees Australia Limited <Cash Income A/C>	36,671,217	2.13
9. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	32,175,166	1.87
10. Trison Investments Pty Ltd	28,153,846	1.63
11. Beeside Pty Limited	16,923,077	0.98
12. RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	4,712,301	0.27
13. Bond Street Custodians Limited <ENH Property Securities A/C>	4,693,266	0.27
14. UBS Nominees Pty Ltd	4,085,000	0.24
15. HSBC Custody Nominees (Australia) Limited	3,514,290	0.20
16. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,101,411	0.18
17. Questor Financial Services Limited <TPS RF A/C>	3,002,703	0.17
18. RBC Investor Services Australia Nominees Pty Limited <APN A/C>	2,674,717	0.16
19. HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,417,755	0.14
20. RBC Investor Services Australia Nominees Pty Limited <PISelect>	2,348,558	0.14
Securities held by top 20 Securityholders	1,599,361,020	93.04
Balance of securities held	119,337,929	6.96
Total issued securities	1,718,698,949	100.00

Range of securities	Number of Securityholders	Number of securities	Percentage of total issued securities
1 – 1,000	5,248	2,590,649	0.15
1,001 – 5,000	7,415	18,900,927	1.10
5,001 – 10,000	2,549	18,291,957	1.06
10,001 – 100,000	1,729	36,548,696	2.13
100,001 – over	130	1,642,366,720	95.56
Total	17,071	1,718,698,949	100.00

There were 479 Securityholders with less than a marketable parcel in relation to 7,342 securities as at 6 September 2013.

Substantial Securityholders¹	Number of securities
Leader Investment Corporation; China Investment Corporation	168,462,083
Vanguard Group	102,759,342
BlackRock, Inc.	90,940,602

1. In accordance with latest Substantial Securityholder Notices as at 6 September 2013.

Goodman Logistics (HK) Limited CHESSE Depository Interests

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

Voting rights

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

On-market buy-back

There is no current on-market buy-back.

Glossary

AASB Australian Accounting Standards Board.

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

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.

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 Operating profit before interest and tax.

EPS Earnings per security.

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

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

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

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

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

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

GJL Goodman Japan Limited, Goodman's platform in Japan.

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

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

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

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

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

Goodman Holdings Group Goodman Holdings Pty Limited and its controlled entities.

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

LTI Long term incentive.

LTIP Long Term Incentive Plan.

NAV Net asset value: the value of 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/or GLHK.

Sqm Square metres.

Sq ft Square feet.

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

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

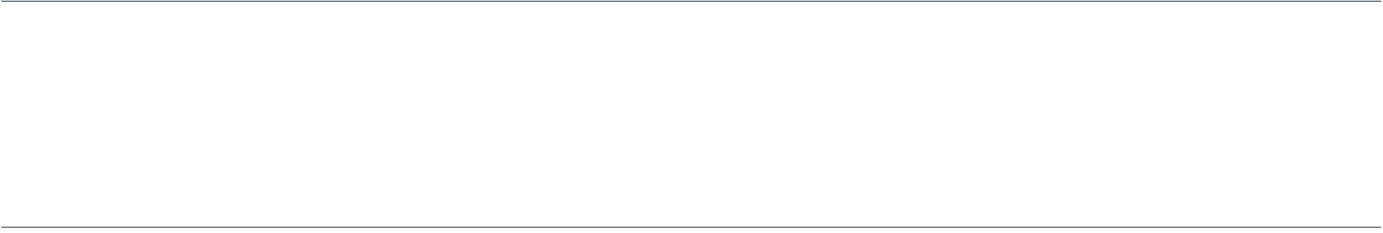
STI Short term incentive.

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

TSR Total securityholder return.

Unitholder A unitholder of GIT.

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

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Beijing	Hong Kong	Prague
Birmingham	London	Reading
Brisbane	Los Angeles	São Paulo
Brussels	Luxembourg	Senec
Budapest	Lyon	Shanghai
Chengdu	Madrid	Stockholm
Christchurch	Marseille	Sydney
Cracow	Melbourne	Tokyo
Düsseldorf	Osaka	Warsaw

Directors

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

Company Secretary

Mr Carl Bicego

Security Registrar

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