

Goodman Industrial Trust
ARSN 091 213 839
and its Controlled Entities
Consolidated financial report for the year ended 30 June 2014

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Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2014

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 2014 and the audit report thereon.

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

GIT's units are stapled to both shares in GL and CHESS Depositary Interests (CDIs) over shares in Goodman Logistics (HK) Limited (GLHK). The units in GIT, shares in GL and CDIs over 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 (Managing Director, Greater China)	1 January 2013
Mr Danny Peeters (Executive Director, Corporate)	1 January 2013
Mr Phillip Pryke (Independent Director)	13 October 2010
Mr Anthony Rozic (Deputy Chief Executive Officer)	1 January 2013
Mr Jim Sloman, OAM (Independent Director)	1 February 2006

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 7 to 9 in this Directors' report.

Company Secretary

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

	Appointment date
Mr Carl Bicego	24 October 2006

Details of the Company Secretary's qualifications and experience are set out on page 9 in this Directors' report.

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Directors' report
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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	
	Held¹	Attended	Held¹	Attended	Held¹	Attended	Held¹	Attended
Mr Ian Ferrier	8	8	4	4	3	3	-	-
Mr Gregory Goodman	8	8	-	-	-	-	-	-
Mr Philip Fan	8	7	4	4	-	-	4	4
Mr John Harkness	8	8	4	4	-	-	4	4
Ms Anne Keating	8	8	-	-	3	3	4	4
Ms Rebecca McGrath	8	8	-	-	3	3	4	4
Mr Philip Pearce	8	8	-	-	-	-	-	-
Mr Danny Peeters	8	8	-	-	-	-	-	-
Mr Phillip Pryke	8	7	4	4	3	3	-	-
Mr Anthony Rozic	8	7	-	-	-	-	-	-
Mr Jim Sloman	8	8	-	-	3	3	4	4

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

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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.

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	
	2014	2013
	\$M	\$M
Gross property income	164.0	185.5
Share of net results of equity accounted investments	350.8	219.8
Profit attributable to unitholders of GIT (Unitholders)	454.0	18.6
Total comprehensive income attributable to Unitholders	644.8	221.8

Value of assets

	Consolidated	
	2014	2013
	\$M	\$M
Carrying value of assets	8,164.5	7,753.4

The basis for valuation of assets is disclosed in notes 1, 2, 6 and 21 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.

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

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

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Operating and financial review (cont)

Issued capital

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

	Consolidated	
	2014	2013
	M	M
Units on issue at the beginning of the year	1,713.2	1,605.1
Units issued	14.5	108.1
Units on issue at the end of the year	1,727.7	1,713.2

Capital management

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

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

Goodman Group has continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets. During the current financial year, Goodman Group has procured \$0.8 billion of debt facilities with an average term of 10.5 years across Goodman Group and its associates and joint ventures (JVs).

Furthermore, Goodman Group's distribution reinvestment plan was active during the financial year, raising a total of \$42.2 million from the interim distribution for the six months to 31 December 2013, of which \$32.5 million related to GIT.

Strategy and outlook

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

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

Goodman Group seeks to create value through expansion, both organically and through strategic acquisitions, while enhancing returns through the active management of its property portfolio. The cornerstone of this strategy is a substantial portfolio (including both directly-owned property and cornerstone investments in associates and JVs) of quality industrial and business space assets, coupled with Goodman Group's integrated property platform.

Development is an important component of Goodman Group's business strategy because it drives portfolio growth, with the expansion of existing customers and the procurement of new customers, and provides a source of investment products for the Consolidated Entity's associates and JVs.

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

The strength of its established businesses in Australia, Hong Kong and Europe and the growth of the Americas businesses will ensure the Consolidated Entity is well positioned to achieve a solid result in the year ending 30 June 2015.

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Directors' report
for the year ended 30 June 2014

Distributions

The total distribution declared to ordinary Unitholders during the year was 20.7 cents per unit (2013: 14.2 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 is entitled to be indemnified out of the assets of the Trust. Current and former directors of the Responsible Entity have a right to be indemnified under the constitution of the Responsible Entity. The directors of Responsible Entity are also directors of GL. Deeds of Indemnity have been executed by GL, consistent with the Constitution of GL, in favour of each Director. The Deed indemnifies each Director to the extent permitted by law for liabilities (other than legal costs) incurred in their capacity as a director of GL, the Responsible Entity or other controlled entities of GL and, in respect of legal costs, for liabilities incurred in defending or resisting civil or criminal proceedings.

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

Fees paid to and interests held by related entities and Directors

Fees were paid or are payable to Goodman Group and its associated entities for services provided during the year. Details of these fees and the interests of the Responsible Entity and other related party information are set out in note 20 to the consolidated financial statements.

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

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

At 30 June 2014, Mr Anthony Rozic held 1,000 of the perpetual preferred units (Goodman PLUS) issued by Goodman PLUS Trust. None of the other Directors holds any relevant interests in Goodman PLUS.

Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2014

Qualifications, experience and special responsibilities of Directors and Company Secretary

Board of Directors

Mr Ian Ferrier, AM – Independent Chairman

Member of the Audit Committee and Remuneration and Nomination Committee

Appointed 23 February 2005; Tenure 9 years, 4 months

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

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

Mr Gregory Goodman – Group Chief Executive Officer

Appointed 17 January 1995; Tenure 19 years, 5 months

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

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

Mr Philip Fan – Independent Director

Member of the Audit Committee and Risk and Compliance Committee

Appointed 1 December 2011; Tenure 2 years, 7 months

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

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

Mr John Harkness – Independent Director

Chairman of the Audit Committee and Risk and Compliance Committee

Appointed 1 September 2004; Tenure 9 years, 10 months

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

**Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2014**

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

Board of Directors (cont)

Ms Anne Keating – Independent Director

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

Appointed 6 February 2004; Tenure 10 years, 4 months

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

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

Ms Rebecca McGrath – Independent Director

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

Appointed 3 April 2012; Tenure 2 years, 2 months

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

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

Mr Philip Pearce - Managing Director, Greater China

Appointed 1 January 2013; Tenure 1 year, 6 months

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

Philip is a director and/or representative of Goodman Group's Greater China controlled entities, management companies and funds. Philip holds a Bachelor of Commerce and Graduate Diploma in Finance and Investment.

Mr Danny Peeters - Executive Director, Corporate

Appointed 1 January 2013; Tenure 1 year, 6 months

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

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

**Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2014**

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

Board of Directors (cont)

Mr Phillip Pryke – Independent Director

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

Appointed 13 October 2010; Tenure 3 years, 8 months

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

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

Mr Anthony Rozic – Deputy Chief Executive Officer

Appointed 1 January 2013; Tenure 1 year, 6 months

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

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

Mr Jim Sloman, OAM – Independent Director

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

Appointed 1 February 2006; Tenure 8 years, 5 months

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

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

Company Secretary

Mr Carl Bicego – Company Secretary

Appointed 24 October 2006

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

Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2014

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

Executive Directors	Number of performance rights granted	Date performance rights granted	%vested in prior years	%vested in the year	%forfeited	Financial years in which grant vests
Mr Gregory Goodman	947,368	22 Nov 13	-	-	-	2017 – 2019
	927,152	16 Nov 12	-	-	-	2016 – 2018
	980,000	25 Nov 11	-	-	-	2015 – 2017
	730,770	1 Feb 11	-	33.3	-	2014 – 2016
	780,000	14 May 10	33.3	33.3	-	2013 – 2015
Mr Philip Pearce	394,737	22 Nov 13	-	-	-	2017 – 2019
	298,013	16 Nov 12	-	-	-	2016 – 2018
	200,000	30 Sep 11	-	-	-	2015 – 2017
	153,847	1 Feb 11	-	33.3	-	2014 – 2016
	229,167	14 May 10	33.3	33.3	-	2013 – 2015
Mr Danny Peeters	421,053	22 Nov 13	-	-	-	2017 – 2019
	463,576	12 Oct 12	-	-	-	2016 – 2018
	520,000	30 Sep 11	-	-	-	2015 – 2017
	480,000	1 Feb 11	-	33.3	-	2014 – 2016
	554,436	14 May 10	33.3	33.3	-	2013 – 2015
Mr Anthony Rozic	421,053	22 Nov 13	-	-	-	2017 – 2019
	463,576	12 Oct 12	-	-	-	2016 – 2018
	520,000	30 Sep 11	-	-	-	2015 – 2017
	480,000	1 Feb 11	-	33.3	-	2014 – 2016
	520,834	14 May 10	33.3	33.3	-	2013 – 2015

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 rights¹	Performance hurdles²
Sep 18	-	12,562,467	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 17	-	11,658,981	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 16	-	10,395,704	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 15	-	5,259,642	Relative TSR ³ (25%) and operating EPS ⁴ (75%)
Sep 14	-	2,775,989	Relative TSR ³ (50%) and operating EPS ⁴ (50%)

1. The number of performance rights at the date of this Directors' report is net of any rights forfeited.
2. Performance hurdles are based on the results of Goodman Group.
3. The TSR vesting condition is determined by Goodman Group's relative TSR over a three year period from the beginning of the financial year in which the grant is made.
4. The EPS vesting condition is determined by Goodman Group's aggregated operating EPS over a three year period from the beginning of the financial year in which the grant is made compared to the target EPS as determined by the Board of Goodman Limited.

**Goodman Industrial Trust and its Controlled Entities
Directors' report
for the year ended 30 June 2014**

Events subsequent to balance date

In the opinion of the Directors, there were no events subsequent to balance date, and up to the date of signature of this 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 12 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, 14 August 2014



Gregory Goodman
Group Chief Executive Officer



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 2014 there have been:

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

KPMG

John Teer
Partner

Sydney

14 August 2014

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

		Consolidated	
	Note	2014 \$M	2013 \$M
Current assets			
Cash	19(a)	227.9	405.1
Receivables	5	2,726.8	2,092.6
Inventories	6(b)	4.2	31.2
Other assets	7	5.6	5.9
Total current assets		2,964.5	2,534.8
Non-current assets			
Receivables	5	142.8	166.3
Inventories	6(b)	98.3	59.0
Investment properties	6(b)	1,950.4	2,108.8
Investments accounted for using the equity method	6(b)	3,000.3	2,884.5
Other financial assets	8	8.2	-
Total non-current assets		5,200.0	5,218.6
Total assets		8,164.5	7,753.4
Current liabilities			
Deferred income		1.6	3.2
Payables	9	119.2	159.6
Provisions	10	178.8	77.8
Total current liabilities		299.6	240.6
Non-current liabilities			
Payables	9	405.1	305.6
Interest bearing liabilities	11	2,160.5	2,250.3
Total non-current liabilities		2,565.6	2,555.9
Total liabilities		2,865.2	2,796.5
Net assets		5,299.3	4,956.9
Equity			
Issued capital	12	7,025.2	6,973.2
Reserves	13	(1,154.4)	(1,491.6)
Accumulated losses	14	(897.3)	(856.2)
Total equity attributable to Unitholders		4,973.5	4,625.4
Non-controlling interests	15	325.8	331.5
Total equity		5,299.3	4,956.9

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

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

		Consolidated	
		2014	2013
	Note	\$M	\$M
Revenue and other income			
Gross property income		164.0	185.5
Income from disposal of inventories		4.0	96.6
Distributions from investments		-	1.7
Net gain from fair value adjustments on investment properties	6(e)	23.8	30.2
Net gain on disposal of investment properties	3	0.8	7.8
Net gain on disposal of controlled entities	3	0.2	17.9
Share of net results of equity accounted investments	3	350.8	219.8
Net loss on disposal of equity investments	3	(1.2)	(5.1)
Other income		1.5	10.8
		543.9	565.2
Property and other expenses			
Property expenses		(46.5)	(50.2)
Inventory cost of sales		(2.7)	(96.8)
Trust expenses		(8.9)	(4.4)
Management fee		(10.7)	(9.9)
Impairment losses	3	(4.5)	(112.1)
Other expenses		(2.5)	(3.6)
		(75.8)	(277.0)
Profit before interest and tax		468.1	288.2
Net finance income/(expense)			
Finance income	3	198.9	139.6
Finance expense	3	(185.6)	(381.2)
Net finance income/(expense)		13.3	(241.6)
Profit before income tax		481.4	46.6
Income tax expense		(6.0)	(5.7)
Profit for the year		475.4	40.9
Profit attributable to Unitholders		454.0	18.6
Profit attributable to non-controlling interests		21.4	22.3
Profit for the year		475.4	40.9

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

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

		Consolidated	
		2014	2013
	Note	\$M	\$M
Profit for the year		475.4	40.9
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Increase/(decrease) due to revaluation of other financial assets	13(a)	1.6	(0.3)
Cash flow hedges:			
- Change in value of financial instruments	13(b)	0.8	8.3
- Transfers from cash flow hedge reserve	13(b)	2.4	7.7
Effect of foreign currency translation	13	186.0	187.5
Other comprehensive income for the year, net of tax		190.8	203.2
Total comprehensive income for the year		666.2	244.1
Total comprehensive income attributable to:			
Unitholders		644.8	221.8
Non-controlling interests		21.4	22.3
Total comprehensive income for the year		666.2	244.1

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

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

Year ended 30 June 2013

Consolidated		Attributable to Unitholders			Non-controlling interests	Total equity
		Issued capital	Reserves	Accumulated losses		
	Note	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2012		7,173.1	(2,030.8)	(336.0)	4,806.3	318.8
Total comprehensive income for the year						
Profit for the year	14	-	-	18.6	18.6	22.3
Other comprehensive income for the year		-	203.2	-	203.2	-
Total comprehensive income for the year		-	203.2	18.6	221.8	22.3
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)	-
Issue of ordinary units under an Institutional Placement		320.0	-	-	320.0	-
Issue of ordinary units under a Security Purchase Plan		39.3	-	-	39.3	-
Issue costs due to ordinary units		(6.2)	-	-	(6.2)	-
Distributions declared on ordinary units	4	-	-	(243.7)	(243.7)	-
Distributions paid on Goodman PLUS	4	-	-	-	(16.7)	(16.7)
Issue costs arising on modification of Goodman PLUS		-	-	-	(1.0)	(1.0)
Transfers to accumulated losses on modification of Goodman PLUS		-	-	(8.1)	(8.1)	8.1
Equity settled share based payments transaction relating to Goodman Group		-	57.8	-	57.8	-
Balance at 30 June 2013		6,973.2	(1,491.6)	(856.2)	4,625.4	331.5

Year ended 30 June 2014

Consolidated		Attributable to Unitholders			Non-controlling interests	Total equity
		Issued capital	Reserves	Accumulated losses		
	Note	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2013		6,973.2	(1,491.6)	(856.2)	4,625.4	331.5
Total comprehensive income for the year						
Profit for the year	14	-	-	454.0	454.0	21.4
Other comprehensive income for the year		-	190.8	-	190.8	-
Total comprehensive income for the year		-	190.8	454.0	644.8	21.4
Transfers		-	138.4	(138.4)	-	-
Contributions by and distributions to owners						
Distributions declared on ordinary units	4	-	-	(356.7)	(356.7)	-
Issue of ordinary units under the Goodman Group distribution reinvestment plan (DRP)		32.5	-	-	32.5	-
Distributions paid on Goodman PLUS	4	-	-	-	(27.1)	(27.1)
Equity settled share based payments transaction relating to Goodman Group		-	8.0	-	8.0	-
Issue of ordinary units under the Goodman Group LTIP		19.5	-	-	19.5	-
Balance at 30 June 2014		7,025.2	(1,154.4)	(897.3)	4,973.5	325.8

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

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

		Consolidated	
		2014	2013
	Note	\$M	\$M
Cash flows from operating activities			
Property income received		171.8	188.9
Proceeds from disposal of inventories		4.4	187.2
Other cash receipts from services provided		6.7	72.6
Property expenses paid		(47.7)	(51.7)
Payments for inventories		(12.2)	(238.5)
Other cash payments in the course of operations		(37.6)	(80.2)
Dividends/distributions received from equity accounted investments		149.8	163.1
Interest received		14.5	6.4
Finance costs paid		(114.5)	(86.9)
Net income taxes paid		(0.6)	(0.3)
Net cash provided by operating activities	19(b)	134.6	160.6
Cash flows from investing activities			
Proceeds from disposal of investment properties		15.4	207.9
Proceeds from disposal of equity investments		226.5	393.1
Net cash movement on disposal of controlled entities		(7.3)	-
Payments for investment properties		(47.6)	(74.0)
Payments for equity investments		(256.4)	(374.4)
Net (used in)/provided by investing activities		(69.4)	152.6
Cash flows from financing activities			
Proceeds from issue of ordinary units		-	359.3
Transaction costs from issue of securities		-	(7.2)
Proceeds from borrowings		422.1	945.6
Repayments of borrowings		(535.2)	(1,204.3)
Loans from related parties		111.0	64.8
Distributions paid		(240.3)	(327.3)
Net cash used in financing activities		(242.4)	(169.1)
Net (decrease)/increase in cash held		(177.2)	144.1
Cash at the beginning of the year		405.1	261.0
Cash at the end of the year	19(a)	227.9	405.1

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

Non-cash financing and investing activities are included in note 19(c).

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

1 Statement of significant accounting policies

Goodman Industrial Trust was established in Australia. The consolidated financial report of GIT for the year ended 30 June 2014 comprises GIT and its controlled entities (Consolidated Entity) and the Consolidated Entity's interest in associates and JVs.

The stapling of GIT, GL and GLHK was implemented on 22 August 2012. Following approval of the stapling, units in GIT, shares in GL and 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 14 August 2014.

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

(a) Basis of preparation of the consolidated financial report

The consolidated financial report is prepared on the historical cost basis 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 interests

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

Transaction costs

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

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

1 Statement of significant accounting policies (cont)

(b) Principles of consolidation (cont)

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

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

Where an entity either began or ceased to be controlled during the year, the results for that entity are included only from/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 an arrangement in which the Consolidated Entity has joint control, whereby the Consolidated Entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. In the consolidated financial statements, investments in JVs are accounted for using the equity method. Investments in JVs are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the JV'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.

Transactions eliminated on consolidation

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

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

(c) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Translation of controlled foreign operations

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

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

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

1 Statement of significant accounting policies (cont)

(c) Foreign currency translation (cont)

Exchange rates used

The main exchange rates used in translating foreign currency transactions, balances and financial statements are as follows:

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

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.

(d) Investment properties and gross property income

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

Components of investment properties

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

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

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

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

Stabilised investment properties

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

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

Gross property income

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

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

1 Statement of significant accounting policies (cont)

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

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

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

Investment properties under development

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

Deposits for investment properties

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

Disposal of investment properties

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

(e) 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.

Disposal of inventories

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

(f) Finance income and expenses

Loan facilities

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

Finance income

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

Finance costs

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and is recognised as a finance cost on an effective 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 rate method.

(g) Distributions received from investments

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.

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

1 Statement of significant accounting policies (cont)

(h) Assets and liabilities classified as held for sale

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

(i) Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's assets (except investment properties, refer to note 1(d); and inventories, refer to note 1(e)) 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 of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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

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

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

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

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

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

1 Statement of significant accounting policies (cont)

(j) 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.

(k) Income tax

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

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

(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 Group Chief Executive Officer in order to assess each segment's performance and to allocate resources to them.

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

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

(m) 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.

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

1 Statement of significant accounting policies (cont)

(m) Financial instruments (cont)

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

Available for sale financial assets

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

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

Non-derivative financial liabilities

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

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

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

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

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

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

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 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 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.

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

1 Statement of significant accounting policies (cont)

(m) Financial instruments (cont)

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.

(n) Parent Entity financial information

The financial information for the Parent Entity, Goodman Industrial Trust, disclosed in note 23 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 JVs

Investments in associates and JVs are accounted for at cost in the financial statements of GIT. Dividends/distributions received from associates and JVs 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.

(o) Changes in accounting policy

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

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

AASB 10 Consolidated Financial Statements

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

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

AASB 11 Joint Arrangements

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

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

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

1 Statement of significant accounting policies (cont)

(o) Changes in accounting policy (cont)

AASB 12 Disclosure of Interests in Other Entities

AASB 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, associates and unconsolidated structured entities. The disclosures are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in note 6.

AASB 13 Fair Value Measurement

AASB 13 establishes single source of fair value measurement guidance. AASB 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Consolidated Entity, the Consolidated Entity has provided those disclosures in notes 6 and 21. The adoption of AASB 13 does not have any material impact on the fair value measurements of the Consolidated Entity's assets and liabilities.

AASB 136 Impairment of Assets

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

(p) Australian Accounting Standards issued but not yet effective

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

(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 can be found in the following notes:

- + Note 6 – Property assets; and
- + Note 21 – Financial risk management.

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

Measurement of fair values

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

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

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

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

- + Note 6 – Property assets; and
- + Note 21 – Financial risk management.

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

3 Profit before income tax

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

	Consolidated	
	2014	2013
	\$M	\$M
Net consideration from disposal of investment properties	14.6	206.4
Carrying value of investment properties disposed - refer to note 6(e)	(13.8)	(198.6)
Net gain on disposal of investment properties	0.8	7.8
Net consideration received and receivable from the disposal of controlled entities ¹	211.8	81.5
Carrying value of net assets/liabilities disposed	(211.8)	(81.5)
Net gain on disposal of special purpose development entities	0.2	17.9
Net gain on disposal of controlled entities	0.2	17.9
Share of net results of investments in associates - refer to note 6(f)(i)	322.7	207.8
Share of net results of investments in JVs - refer to note 6(f)(ii)	28.1	12.0
Share of net results of equity accounted investments	350.8	219.8
Net consideration from disposal of equity investments ²	416.2	453.4
Carrying value of equity investments disposed	(417.4)	(457.8)
Loss on dilution of investment in associate	-	(0.7)
Net loss on disposal of equity investments	(1.2)	(5.1)
Impairment of receivables	(0.5)	(12.2)
Impairment of inventories	(3.6)	(0.7)
Impairment of equity accounted investments	(0.1)	-
Impairment of other financial assets ³	(0.3)	(99.2)
Impairment losses	(4.5)	(112.1)
Finance income		
Interest income from:		
- Related parties	180.1	135.7
- Other parties	4.5	3.9
Foreign exchange gain	14.3	-
	198.9	139.6
Finance expense		
Interest expense from third party loans, overdrafts and derivatives	(104.6)	(116.8)
Other borrowing costs	(19.8)	(17.0)
Fair value adjustments on derivative financial instruments ⁴	(81.0)	(207.5)
Foreign exchange loss	-	(75.1)
Capitalised borrowing costs	19.8	35.2
	(185.6)	(381.2)
Net finance income/(expense)	13.3	(241.6)

- During the current financial year, the Consolidated Entity disposed of two intermediate holding companies that collectively owned 100% of the ordinary shares of Moorabbin Airport Corporation Pty Limited to GL for consideration of \$211.8 million. In the prior year, as part of the restructure of Goodman Group, the Consolidated Entity disposed of 94% of its interest in Goodman Property Opportunities Lux Sàrl (GPO) and its entire interest in Goodman Developments Asia to GLHK for a total consideration of \$81.5 million.
- During the current financial year, the Consolidated Entity disposed of units in Goodman Australia Industrial Fund (GAIF) for consideration of \$53.1 million, Goodman Property Trust (GMT) for consideration of \$194.7 million and Goodman European Logistics Fund (GELF) for consideration of \$168.4 million. In the prior year, the Consolidated Entity disposed of its 25% interest in Highbrook Development Limited (HDL) for consideration of \$54.6 million and a portion of its interest in GAIF for a consideration of \$367.4 million.
- In the prior year, an investment in a controlled entity of GL was impaired, resulting in a loss of £65.0 million (A\$99.2 million).
- 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.

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

4 Distributions

(a) Distributions declared and paid by GIT

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

During the current financial year, Goodman Group activated its DRP. As a consequence, \$42.2 million of the distribution for the six months to 31 December 2013 was issued in the form of Goodman Group stapled securities.

(b) Distributions declared and paid by Goodman PLUS Trust

	Distribution cpu	Total amount \$M	Date of payment
Distributions for the year ended 30 June 2014			
- 30 Sep 2013	169.1	5.5	30 Sep 2013
- 31 Dec 2013	162.7	5.3	31 Dec 2013
- 31 Mar 2014	160.4	5.3	31 Mar 2014
- 30 Jun 2014	163.4	5.3	30 Jun 2014
	655.6	21.4	
Distributions for the year ended 30 June 2013¹			
- 21 Sep 2012	136.7	4.4	21 Sep 2012
- 31 Dec 2012	201.6	6.6	31 Dec 2012
- 31 Mar 2013	170.4	5.6	2 Apr 2013
- 30 Jun 2013	173.3	5.7	1 Jul 2013
	682.0	22.3	

1. In the prior financial year, the holders of Goodman PLUS approved certain amendments to the terms of the hybrid securities (refer to note 15). These amendments include a change to the quarterly distribution dates to 31 March, 30 June, 30 September and 31 December. This change applied after the distribution on 21 September 2012.

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

5 Receivables

	Consolidated	
	2014	2013
	\$M	\$M
Current		
Trade receivables	1.6	2.4
Other receivables	25.4	2.5
Amounts due from related parties	1.6	2.0
Loans to related parties	2,698.1	2,085.7
Derivative financial instruments	0.1	-
	2,726.8	2,092.6
Non-current		
Other receivables	32.8	34.0
Loans to related parties	6.8	11.7
Derivative financial instruments	103.2	120.6
	142.8	166.3

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
2014	275.9	225.9	130.7	1,650.9	528.5
2013	44.0	281.6	286.9	1,495.8	413.8

Trade receivables

As at 30 June 2014, no trade receivables were impaired (2013: \$nil). The ageing analysis of overdue trade receivables is as follows:

	Consolidated	
	2014	2013
	\$M	\$M
Overdue by:		
Up to 1 month	0.1	0.1
1 month to 4 months	0.1	0.2
Greater than 4 months	1.0	-
	1.2	0.3

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

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 JVs. The interest rates on loans to related parties were 1.2% to 10.4% per annum (2013: 1.2% to 10.1% 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 remain at \$246.2 million (2013: \$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 20.

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

6 Property assets

(a) Types of property assets

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

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

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

		Consolidated	
	Note	2014	2013
		\$M	\$M
Inventories			
Current	6(d)	4.2	31.2
Non-current	6(d)	98.3	59.0
		102.5	90.2
Investment properties			
Stabilised investment properties	6(e)	1,776.9	1,836.2
Investment properties under development	6(e)	173.5	272.6
		1,950.4	2,108.8
Investments accounted for using the equity method			
Associates	6(f)(i)	2,459.3	2,518.8
JVs	6(f)(ii)	541.0	365.7
		3,000.3	2,884.5
Total property assets		5,053.2	5,083.5

(c) Estimates and assumptions in determining property carrying values

Inventories

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

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

6 Property assets (cont)

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

Investment properties

Stabilised investment properties

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

Approach to determination of fair value

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

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

External valuations are undertaken only where market segments were observed to be active. 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 (including syndicates), national and institutional investors); and
- + categorisation as primary or secondary based on a combination of location, weighted average lease expiry, quality of tenant covenant (internal assessment based on available market evidence) and age of construction.

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

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

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

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

6 Property assets (cont)

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

Market assessment

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

Division	Total portfolio weighted average capitalisation rate	
	2014	2013
	%	%
Australia	7.7	8.0
Hong Kong	6.0	6.4
Logistics - Continental Europe	7.5	7.6
Logistics - United Kingdom	9.0	8.5
Business Parks - United Kingdom	8.0	8.3

During the current financial year, the fair values of 82% (2013: 68%) of these stabilised investment properties held directly by the Consolidated Entity (by reference to carrying value) were determined based on a valuation by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued.

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

Investment properties under development

External valuations are generally not performed for investment properties under development, 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 7.5% to 15.0%.

(d) Inventories

	Consolidated	
	2014	2013
	\$M	\$M
Current		
Development land	4.2	31.2
	4.2	31.2
Non-current		
Development land	98.3	59.0
	98.3	59.0

During the year, impairments of \$3.6 million (2013: \$0.7 million) were recognised to write down development land to net realisable value.

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

6 Property assets (cont)

(e) Investment properties

Reconciliation carrying amount of directly held investment properties

	Stabilised investment properties		Investment properties under development		Consolidated	
	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M
Carrying amount at the beginning of the year	1,836.2	1,999.1	272.6	356.6	2,108.8	2,355.7
Capital expenditure	17.3	27.6	24.6	36.9	41.9	64.5
Transfers	9.3	14.3	(9.3)	(14.3)	-	-
Disposals:						
- Carrying value of properties sold	(1.3)	(196.1)	(12.5)	(2.5)	(13.8)	(198.6)
- On disposal of interests in controlled entities	(128.8)	(63.8)	(104.4)	(94.8)	(233.2)	(158.6)
Net gain/(loss) from fair value adjustments	22.8	39.7	1.0	(9.5)	23.8	30.2
Effect of foreign currency translation	21.4	15.4	1.5	0.2	22.9	15.6
Carrying amount at the end of the year	1,776.9	1,836.2	173.5	272.6	1,950.4	2,108.8
Analysed as:						
Australia and New Zealand					1,725.7	1,897.0
United Kingdom					224.7	211.8
					1,950.4	2,108.8

Other information regarding directly held investment properties

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

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

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

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

The Consolidated Entity leases out investment properties under operating leases. On expiry, the terms are renegotiated. None of the leases includes contingent rentals. Further details on non-cancellable operating lease commitments receivable from investment property customers are shown in the table below:

Non-cancellable operating lease commitments receivable from investment property customers

	Consolidated	
	2014	2013
	\$M	\$M
Non-cancellable operating lease commitments receivable:		
- Within one year	121.8	120.9
- One year or later and no later than five years	294.2	258.3
- Later than five years	54.1	60.3
	470.1	439.5

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

6 Property assets (cont)

(f) Investments accounted for using the equity method

(i) Investments in associates

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

		Consolidated share of associate's result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment/ incorporation	2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment associates							
Goodman Australia Industrial Fund	Australia	114.1	82.9	27.5	26.6	943.9	815.7
Goodman Australia Development Fund (GADF) ¹	Australia	-	4.5	-	20.0	-	47.8
Goodman Trust Australia (GTA)	Australia	53.7	49.1	19.9	19.9	412.4	372.3
Goodman Property Trust ²	New Zealand	8.7	12.7	-	17.6	-	181.8
Goodman Hong Kong Logistics Fund (GHKLF)	Cayman Islands	68.8	58.4	20.0	20.0	409.4	370.5
Goodman China Logistics Holding Limited (GCLH) ³	China	-	6.6	-	-	-	-
Goodman European Logistics Fund	Luxembourg	32.3	20.8	20.4	30.8	374.6	483.2
Arlington Business Parks Partnership (ABPP)	United Kingdom	45.1	(27.2)	36.3	36.3	319.0	247.5
		322.7	207.8			2,459.3	2,518.8

- During the current financial year, the investment in GADF was reclassified from investment in associate to investment in JV. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any significant impact on the financial position and the financial result of the Consolidated Entity.
- During the current financial year, the Consolidated Entity disposed of its entire investment in GMT to a controlled entity of GL for consideration of \$194.7 million.
- In the prior year, the Consolidated Entity disposed of its investment in GCLH to GLHK for consideration of A\$18.0 million.

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

	Consolidated	
	2014 \$M	2013 \$M
Movement in carrying amount of investments in associates		
Carrying amount at the beginning of the year	2,518.8	2,466.3
Share of net results after tax (before revaluations)	213.7	197.5
Share of fair value adjustments on investment properties	116.0	29.8
Share of fair value adjustments on derivative financial instruments	(7.0)	(19.5)
Share of net results	322.7	207.8
Share of movement in reserves	0.3	6.6
Loss on dilution of investment	-	(0.7)
Transfer to investments in JVs	(47.8)	-
Acquisitions	184.7	250.2
Disposals	(419.7)	(396.4)
Distributions received	(143.3)	(141.5)
Effect of foreign currency translation	43.6	126.5
Carrying amount at the end of the year	2,459.3	2,518.8

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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6 Property assets (cont)

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

(i) Investments in associates (cont)

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

	GAIF		GTA		GMT		GHKLF		GELF		ABPP	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Summarised statement of financial position												
Total current assets	46.3	51.1	39.1	28.4	-	5.2	161.7	79.8	134.4	251.1	328.3	59.7
Total non-current assets	5,607.3	4,793.6	3,322.3	3,003.9	-	1,734.1	2,695.0	2,581.2	3,064.8	2,679.0	1,276.2	1,476.0
Total current liabilities	154.7	99.4	237.4	285.8	-	13.9	66.0	77.0	124.4	60.1	410.8	58.8
Total non-current liabilities	2,140.8	1,736.6	1,202.1	1,014.2	-	715.9	748.5	736.6	1,240.0	1,303.1	315.0	795.2
Net assets (100%)	3,358.1	3,008.7	1,921.9	1,732.3	-	1,009.5	2,042.2	1,847.4	1,834.8	1,566.9	878.7	681.7
Consolidated ownership interest	27.5%	26.6%	19.9%	19.9%	-	17.6%	20.0%	20.0%	20.4%	30.8%	36.3%	36.3%
Consolidated share of net assets	924.5	800.3	382.5	344.4	-	177.7	408.4	369.5	373.6	482.6	319.0	247.5
Acquisition costs	2.7	0.3	-	-	-	4.1	1.0	1.0	1.0	0.6	-	-
Distributions receivable ¹	16.7	15.1	29.9	27.9	-	-	-	-	-	-	-	-
Carrying amount of investment in associate	943.9	815.7	412.4	372.3	-	181.8	409.4	370.5	374.6	483.2	319.0	247.5
Summarised statement of comprehensive income												
Revenue	468.6	450.0	284.6	272.1	-	96.8	139.0	109.8	202.0	162.6	149.5	114.4
Profit/(loss) after tax and revaluations	413.9	216.2	269.5	246.7	-	72.5	616.7	261.1	144.0	83.0	115.9	(75.5)
Other comprehensive income	-	13.7	3.4	13.9	-	-	-	-	-	-	-	-
Total comprehensive income (100%)	413.9	229.9	272.9	260.6	-	72.5	616.7	261.1	144.0	83.0	115.9	(75.5)
Distributions received by the Consolidated Entity	63.8	78.3	27.1	10.2	1.9	9.7	17.9	9.8	32.6	30.3	-	-

1. Distributions receivable relate to distributions provided for but not paid by the associate at 30 June 2014. This is applicable to trusts in Australia where unitholders are presently entitled to income at the end of the financial year.

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

6 Property assets (cont)

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

(ii) Investments in JVs

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

		Consolidated share of JVs result recognised		Consolidated ownership interest		Consolidated investment carrying amount	
Name	Country of establishment/ incorporation	2014 \$M	2013 \$M	2014 %	2013 %	2014 \$M	2013 \$M
Property investment JVs							
KWASA Goodman Industrial Trust (KGIT)	Australia	17.1	9.5	40.0	40.0	185.0	178.2
Property development JVs							
Goodman North America Partnership (GNAP)	United States of America	(0.2)	(0.2)	53.0	53.0	147.6	92.2
Other JVs		11.2	2.7			208.4	95.3
		28.1	12.0			541.0	365.7

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

	Consolidated	
	2014 \$M	2013 \$M
Movement in carrying amount of investments in JVs		
Carrying amount at the beginning of the year	365.7	194.2
Share of net results after tax (before revaluations)	22.3	14.2
Share of fair value adjustments on investment properties	8.1	(2.6)
Share of fair value adjustments on derivative financial instruments	(2.3)	0.4
Share of net results	28.1	12.0
Share of movement in reserves	-	0.2
Impairment	(0.1)	-
Transfer from investments in associates	47.8	-
Acquisitions	123.7	229.8
Disposals	-	(78.6)
Capital return	(2.5)	-
Distributions received	(20.7)	(6.7)
Effect of foreign currency translation	(1.0)	14.8
Carrying amount at the end of the year	541.0	365.7

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

6 Property assets (cont)

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

(ii) Investments in JVs (cont)

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

	KGIT		GNAP	
	2014	2013	2014	2013
	\$M	\$M	\$M	\$M
Summarised statement of financial position				
Current assets				
Cash and cash equivalents	4.4	1.8	16.3	4.6
Other current assets	3.4	2.5	20.2	1.3
Total current assets	7.8	4.3	36.5	5.9
Total non-current assets	764.9	722.1	248.5	162.0
Current liabilities	12.3	7.6	13.1	0.7
Non-current liabilities				
Financial liabilities	297.0	274.4	-	-
Other non-current liabilities	1.3	1.2	0.3	-
Total non-current liabilities	298.3	275.6	0.3	-
Net assets (100%)	462.1	443.2	271.6	167.2
Consolidated ownership interest	40.0%	40.0%	53.0%	53.0%
Consolidated share of net assets	184.8	177.3	143.9	88.6
Acquisition costs	0.2	0.9	3.7	3.6
Carrying amount of investment in JV	185.0	178.2	147.6	92.2
Summarised statement of comprehensive income				
Revenue	68.5	51.9	-	-
Interest income	0.1	-	-	-
Interest expense	(13.5)	(11.5)	-	-
Profit/(loss) after tax	42.7	23.7	(0.4)	(0.3)
Total comprehensive income (100%)	42.7	23.7	(0.4)	(0.3)
Distributions received by the Consolidated Entity	13.9	4.6	-	-

For the Consolidated Entity's other JVs not included in the table above, the total profit after tax and revaluations is \$39.9 million (2013: \$31.3 million) and other comprehensive income is \$nil (2013: \$nil).

Goodman Industrial Trust and its Controlled Entities
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7 Other assets

	Consolidated	
	2014	2013
	\$M	\$M
Prepayments	4.7	5.1
Other assets	0.9	0.8
	5.6	5.9

8 Other financial assets

	Consolidated	
	2014	2013
	\$M	\$M
Investment in unlisted securities, at fair value ¹	8.2	-
	8.2	-

1. The investment in unlisted securities primarily relates to the minority interest in GPO.

Controlled entities

The significant controlled entities of the GIT are set out below:

Significant controlled entities	Country of incorporation/ establishment
ABPP Investment Trust	Australia
BDE Unit Trust	Australia
Carter Street Trust	Australia
Edinburgh Trust	Australia
Euston Road Subtrust	Australia
GIT Investments Holding Trust No.3	Australia
GIT Investments Holding Trust No.4	Australia
Goodman Australia Finance Pty Limited	Australia
Goodman Capital Trust	Australia
Goodman Dandenong Trust	Australia
Goodman Europe Development Trust	Australia
Goodman Finance Australia Trust	Australia
Goodman Funding Pty Limited	Australia
Goodman Hong Kong Investment Trust	Australia
Goodman Jersey Holdings Trust	Australia
Goodman Palmers Trust	Australia
Goodman Perth Airport No. 1 Trust	Australia
Goodman Perth Airport No. 3 Trust	Australia
Goodman PLUS Trust	Australia
Goodman Treasury Trust	Australia
Goodman Ultimo Trust	Australia
Hill Road Trust	Australia
Homebush Subtrust	Australia
IBC Trust	Australia
MGA Industrial Portfolio Trust	Australia
MIP Trust	Australia
Orion Road Trust	Australia
Perth Leasing Trust	Australia
Port Melbourne 1 Trust	Australia
MGI HK Finance	Cayman Islands
ABPP Investment Jersey Limited	Jersey
Goodman Finance (Jersey) Limited	Jersey
Goodman Property Holdings (Jersey) Limited	Jersey
Goodman Finance (Lux) Sàrl	Luxembourg
Goodman Finance Two (Lux) Sàrl	Luxembourg
Goodman Finance NZ Limited	New Zealand
Tarpon Properties REIT Inc	United States

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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9 Payables

	Consolidated	
	2014	2013
	\$M	\$M
Current		
Trade payables	1.7	1.2
Other payables and accruals	91.3	67.5
Rental income received in advance	1.6	2.0
Loans from related parties ¹	23.8	85.2
Derivative financial instruments	0.8	3.7
	119.2	159.6
Non-current		
Other payables and accruals	102.1	69.6
Derivative financial instruments	303.0	236.0
	405.1	305.6

1. Details of loans from related parties are set out in note 20.

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

Amounts in A\$M	NZD	HKD	EUR	GBP	USD
2014	20.0	0.1	6.5	60.7	6.5
2013	6.7	64.9	12.8	62.9	7.4

10 Provisions

Consolidated - 2014	Distributions to Unitholders	Other	Total
	\$M	\$M	\$M
Balance at the beginning of the year	77.5	0.3	77.8
Provisions made	356.7	-	356.7
Provisions used	(255.4)	(0.3)	(255.7)
Balance at the end of the year	178.8	-	178.8
Analysed as:			
Current	178.8	-	178.8
Non-current	-	-	-
	178.8	-	178.8

11 Interest bearing liabilities

		Consolidated	
		2014	2013
	Note	\$M	\$M
Bank loans, unsecured	11(a)	155.4	263.0
Euro medium-term notes, unsecured	11(b)	453.6	411.7
US senior notes, unsecured	11(c)	1,406.0	1,428.6
Foreign private placements, unsecured	11(d)	170.2	174.5
Borrowing costs		(24.7)	(27.5)
		2,160.5	2,250.3

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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11 Interest bearing liabilities (cont)

(a) Bank loans, unsecured

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

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

The interest rates on the above unsecured bank facilities, before the impact of derivatives (refer to note 21), are based on variable floating rates plus margins for each of the relevant drawn currencies.

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

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

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

11 Interest bearing liabilities (cont)

(b) Euro medium-term notes, unsecured

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

(c) United States senior notes, unsecured

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

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

(d) Foreign private placements, unsecured

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

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

(e) Finance facilities

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

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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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12 Issued capital

	Consolidated	
	2014	2013
	\$M	\$M
1,727,685,976 (2013: 1,713,233,947) fully paid units on issue	7,173.6	7,121.6
Less: Issue costs ¹	(148.4)	(148.4)
	7,025.2	6,973.2

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

Terms and conditions

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

	Units
Units on issue at 1 July 2012	1,605,107,475
Issued under the Goodman Group Long Term Incentive Plan	2,409,834
Issued under the Goodman Group Tax Exempt Plan	46,295
Issued under an Institutional Placement	94,117,700
Issued under a Security Purchase Plan	11,552,643
Units on issue at 30 June 2013	1,713,233,947
Units on issue at 1 July 2013	1,713,233,947
Issued under the Goodman Group Long Term Incentive Plan	5,465,002
Issued under the Goodman Group Tax Exempt Plan	43,860
Issued under the Goodman Group DRP	8,943,167
Units on issue at 30 June 2014	1,727,685,976

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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13 Reserves

		Consolidated	
	Note	2014 \$M	2013 \$M
Asset revaluation reserve	13(a)	(950.6)	(1,030.9)
Cash flow hedge reserve	13(b)	(9.7)	(12.7)
Foreign currency translation reserve	13(c)	(251.1)	(497.0)
Employee compensation reserve	13(d)	57.0	49.0
Total reserves¹		(1,154.4)	(1,491.6)

1. During the prior year, the Consolidated Entity amended its accounting practice such that the capital profits reserve was no longer required. The balance at 1 July 2012 was negative \$151.0 million and after a further \$9.2 million debit arising from the effects of foreign currency translation, the balance of \$160.2 million was transferred to accumulated losses.

	2014 \$M	2013 \$M
(a) Asset revaluation reserve		
Balance at the beginning of the year	(1,030.9)	(1,111.2)
Increase/(decrease) due to revaluation of other financial assets	1.6	(0.3)
Transfers to accumulated losses	138.4	126.8
Effect of foreign currency translation	(59.7)	(46.2)
Balance at the end of the year	(950.6)	(1,030.9)
(b) Cash flow hedge reserve		
Balance at the beginning of the year	(12.7)	(26.6)
Change in value of financial instruments	0.8	8.3
Transfers to the income statement	2.4	7.7
Effect of foreign currency translation	(0.2)	(2.1)
Balance at the end of the year	(9.7)	(12.7)
(c) Foreign currency translation reserve		
Balance at the beginning of the year	(497.0)	(742.0)
Net exchange differences on conversion of foreign operations	245.9	245.0
Balance at the end of the year	(251.1)	(497.0)
(d) Employee compensation reserve		
Balance at the beginning of the year	49.0	-
Equity settled share based payments transaction relating to Goodman Group	8.0	57.8
Transfers to issued capital	-	(8.8)
Balance at the end of the year	57.0	49.0
Total reserves	(1,154.4)	(1,491.6)

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14 Accumulated losses

	Consolidated	
	2014	2013
	\$M	\$M
Balance at the beginning of the year	(856.2)	(336.0)
Profit attributable to Unitholders	454.0	18.6
Transfers from asset revaluation reserve	(138.4)	(126.8)
Transfers from capital profits reserve	-	(160.2)
Transfers from non-controlling interests ¹	-	(8.1)
Distributions declared	(356.7)	(243.7)
Balance at the end of the year	(897.3)	(856.2)

1. In the prior financial year, issue costs previously incurred on the issue of Goodman PLUS were transferred to accumulated losses following amendments to the terms of the hybrid securities (refer to note 15).

15 Non-controlling interests

At 30 June 2014, other non-controlling interests comprise of Goodman PLUS Trust hybrid securities. The movement in other non-controlling interests is as follows:

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

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

Goodman PLUS

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

The key terms of the Goodman PLUS are as follows:

- + distributions under the Goodman PLUS are payable quarterly on 31 March, 30 June, 30 September and 31 December at a margin of 3.90% per annum over the three month Bank Bill Swap Rate;
- + a step up margin of 0.25% 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.

16 Segment reporting

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

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

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16 Segment reporting (cont)

Information about reportable segments

	Australia and New Zealand		Asia		Continental Europe		United Kingdom		North America		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income statement												
External revenues												
Gross property income	147.3	165.7	-	2.8	-	1.2	16.7	15.8	-	-	164.0	185.5
Income from disposal of inventories	4.0	-	-	-	-	-	-	-	-	96.6	4.0	96.6
Distributions from investments	-	-	-	-	-	-	-	1.7	-	-	-	1.7
Other income	1.1	1.5	-	-	0.4	9.3	-	-	-	-	1.5	10.8
Total external revenues	152.4	167.2	-	2.8	0.4	10.5	16.7	17.5	-	96.6	169.5	294.6
Reportable segment profit/(loss) before tax	239.7	268.1	19.2	36.3	34.0	48.1	58.3	41.9	(0.2)	(0.2)	351.0	394.2
Share of net results of equity accounted investments:												
Operating results (excluding fair value adjustments)	137.6	145.0	19.2	5.7	33.7	32.7	45.7	28.5	(0.2)	(0.2)	236.0	211.7
Fair value adjustments - not included in reportable segment profit/(loss)	64.5	15.0	49.7	59.4	0.4	(10.6)	0.2	(55.7)	-	-	114.8	8.1
Other material non-cash items not included in reportable segment profit/(loss) before tax:												
Net gain/(loss) from fair value adjustments on investment properties	35.9	30.2	-	-	-	-	(12.1)	-	-	-	23.8	30.2
Impairment losses	(4.2)	(12.9)	-	-	-	-	(0.3)	(99.2)	-	-	(4.5)	(112.1)
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Statement of financial position												
Reportable segment assets	3,539.2	3,655.3	410.9	370.5	429.4	520.4	605.1	511.4	147.7	92.3	5,132.3	5,149.9
Included in reportable segments assets are:												
Investment properties	1,725.7	1,896.9	-	-	-	-	224.7	211.9	-	-	1,950.4	2,108.8
Investments accounted for using the equity method	1,690.9	1,648.8	409.3	370.4	420.9	514.5	331.5	258.6	147.7	92.2	3,000.3	2,884.5
Reportable segment liabilities	125.2	73.4	-	0.3	0.1	(1.9)	3.4	0.9	-	0.1	128.7	72.8

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16 Segment reporting (cont)

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

	2014	2013
	\$M	\$M
Revenues		
Total revenue for reportable segments	169.5	294.6
Consolidated revenues	169.5	294.6
Profit or loss		
Total profit before tax for reportable segments	351.0	394.2
Other non-cash items not included in reportable segment profit before tax	133.4	(88.7)
Unallocated amounts: other corporate expenses	(16.3)	(17.3)
Net finance income/(expense) - refer to note 3	13.3	(241.6)
Consolidated profit before income tax	481.4	46.6
Assets		
Assets for reportable segments	5,132.3	5,149.9
Unallocated amounts: loans to GL and GLHK	2,698.1	2,085.7
Other unallocated amounts	334.1	517.8
Consolidated total assets	8,164.5	7,753.4
Liabilities		
Liabilities for reportable segments	128.7	72.8
Unallocated amounts: interest bearing liabilities	2,160.5	2,250.3
Other unallocated amounts	576.0	473.4
Consolidated total liabilities	2,865.2	2,796.5

17 Disposal of interests in controlled entities

During the year, the Consolidated Entity disposed of its entire interest in Moorabbin Airport Corporation Pty Limited to Goodman Limited for a consideration of \$211.8 million. The effect of the disposal on the statement of financial position of the Consolidated Entity is as follows:

	Moorabbin Airport Corporation Pty Limited
	\$M
Total assets	241.2
Total liabilities	(29.4)
Net assets disposed, at fair value	211.8
Total consideration	211.8

In the prior 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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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18 Auditors' remuneration

	Consolidated	
	2014	2013
	\$000	\$000
Audit services		
Auditor of GIT:		
- Audit and review of financial reports (KPMG Australia)	395.7	471.2
- Audit and review of financial reports (overseas KPMG firms)	141.1	84.3
	536.8	555.5
Other regulatory services		
- Other regulatory services (KPMG Australia)	42.7	36.2
- Other regulatory services (overseas KPMG firms)	3.3	-
Other assurance services		
- Investigative accounting services (KPMG Australia)	-	177.1
Taxation services		
- Taxation compliance services (KPMG Australia)	2.4	15.3
- Taxation compliance services (overseas KPMG firms)	11.5	25.3
- Other taxation advice (KPMG Australia)	-	107.2
	59.9	361.1
Total paid/payable to KPMG	596.7	916.6
Other auditors		
- Audit and review of financial reports (non-KPMG firms)	-	70.0

19 Notes to the cash flow statement

(a) Reconciliation of cash

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

	Consolidated	
	2014	2013
	\$M	\$M
Cash assets	227.9	405.1

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

	Consolidated	
	2014	2013
	\$M	\$M
Profit for the year	475.4	40.9
Items classified as investing activities		
Net gain on disposal of investment properties	(0.8)	(7.8)
Net loss on disposal of equity investments	1.2	5.1
Non-cash items		
Net gain from fair value adjustments on investment properties	(23.8)	(30.2)
Impairment losses	4.5	112.1
Share of net results of equity accounted investments	(350.8)	(219.8)
Net finance (income)/expense	(13.3)	241.6
Income tax expense	6.0	5.7
Operating profit before changes in working capital and provisions	98.4	147.6
Changes in assets and liabilities during the year:		
- Increase in receivables	(23.8)	(6.8)
- Increase in inventories	(13.0)	(77.4)
- Decrease in other assets	9.1	85.6
- Increase/(decrease) in payables	1.9	(70.0)
- Increase/(decrease) in provisions	12.8	(0.7)
	85.4	78.3
Dividends/distributions received from equity accounted investments	149.8	163.1
Net finance costs paid	(100.0)	(80.5)
Net income taxes paid	(0.6)	(0.3)
Net cash provided by operating activities	134.6	160.6

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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19 Notes to the cash flow statement (cont)

(c) Non-cash financing and investing activities

Distribution reinvestment plan

In the current financial year:

- + Goodman Group activated its DRP and \$42.2 million of the Consolidated Entity's December 2013 distribution was issued in the form of stapled securities in Goodman Group; and
- + the Consolidated Entity received its distributions from GTA, GMT and GADF of \$16.1 million in the form of units in the funds.

In the prior financial year, the Consolidated Entity received its distributions from GTA of \$9.6 million in the form of units in the fund.

Disposal of equity investments

In the prior financial 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.

20 Related party disclosures

Key management personnel disclosures

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

Transactions with Responsible Entity

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

	Consolidated	
	2014	2013
	\$	\$
Reimbursement of expenses	10,654,813	9,934,430

As at 30 June 2014, no amounts were owed to the Responsible Entity (2013: \$nil).

Goodman Group

During the year, the Consolidated Entity disposed of its entire interest in Moorabbin Airport Corporation Pty Limited and Goodman Property Trust to other Goodman Group entities (refer to notes 6(f)(i) and 17).

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

	Consolidated	
	2014	2013
	\$	\$
Property services fees (including property management and leasing)	4,060,773	4,901,604
Development management and project fees	3,023,294	3,793,615
Building supervisor costs reimbursed	1,070,273	1,262,953
Reimbursement of expenses	6,189,012	-
Transaction management fee	-	2,552,390
	14,343,352	12,510,562

In addition to the above, interest bearing loans exist between Consolidated Entity and other Goodman Group entities. At 30 June 2014, interest bearing loans of \$2,901.3 million (2013: \$2,288.1 million) were receivable by the Consolidated Entity from other Goodman Group entities and \$15.8 million (2013: \$85.2 million) were payable by the Consolidated Entity to other Goodman Group entities. Loans bear interest at rates determined based on the terms under which the funds are borrowed.

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

20 Related party disclosures (cont)

Transactions with associates and JVs

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

	Revenue from disposals of assets		Interest charged on loans		Other	
	2014	2013	2014	2013	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M
Associates	-	23.4	-	0.7	-	1.6
JVs	-	286.1	0.6	2.8	-	-

1. In the prior financial year, revenue from disposals of property assets to JVs included \$189.4 million from the disposal of investment properties to KGIT.

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

	Amounts due from related parties ¹		Loans provided by the Consolidated Entity ²	
	2014	2013	2014	2013
	\$M	\$M	\$M	\$M
Associates	1.6	2.0	-	-
JVs	-	-	6.8	11.7

1. Trade and other receivables due were receivable within 30 days.
2. Loans provided to associates and JVs have generally been provided on an arm's length basis. At 30 June 2014, the principal loan balance related to a shareholder loan provided to GGGAIF Huntingwood East which incurred interest at 5.7% per annum.

21 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 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.

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 Goodman Group's gearing constraint;
- + analysis of Goodman Group's liquidity and funding position;
- + analysis of Goodman Group's debt maturity profile;
- + a review of all the hedge exposures and the completed hedges;
- + compliance with Goodman Group'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.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

Capital management

Goodman Group'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.

Goodman Group 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 Group also manages capital through its distribution policy in which distributions made to Securityholders of Goodman Group are based on the greater of 60% of operating profit or taxable income of GIT.

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

Financial risk management

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

(a) Market risk

Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in New Zealand, Hong Kong, 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, Goodman Group aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings and net assets. However, over the long term, permanent changes in foreign exchange will have an impact on both earnings and net assets.

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

As at 30 June 2014, the principal that is hedged, the weighted average exchange rates and the periods of expiry, by currency, are set out below:

	2014			2013		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
CCIRS: AUD receivable	LC'M	A\$M	LC/AUD	LC'M	A\$M	LC/AUD
Expiry by currency						
NZD payable						
2 - 5 years	(100.0)	79.8	1.2530	(220.0)	172.0	1.2795
	(100.0)	79.8		(220.0)	172.0	
HKD payable						
1-2 years	(1,050.0)	128.4	8.1868	-	-	-
2 - 5 years	(1,540.0)	204.1	7.5622	(2,150.0)	274.2	7.8626
Over 5 years	-	-	-	(200.0)	24.5	8.1610
	(2,590.0)	332.5		(2,350.0)	298.7	
JPY payable						
2 - 5 years	(18,000.0)	207.6	86.7772	(15,500.0)	180.4	85.9348
	(18,000.0)	207.6		(15,500.0)	180.4	
EUR payable						
1-2 years	(50.0)	69.2	0.7226	-	-	-
2 - 5 years	(420.0)	541.3	0.7771	(350.0)	457.7	0.7656
Over 5 years	-	-	-	(120.0)	152.7	0.7877
	(470.0)	610.5		(470.0)	610.4	
GBP payable						
2 - 5 years	(170.0)	282.2	0.6035	(50.0)	77.8	0.6427
	(170.0)	282.2		(50.0)	77.8	

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(a) Market risk (cont)

Foreign exchange risk (cont)

At 30 June 2014, the Consolidated Entity's notes issued in the United States 144A/Reg S bond market and also foreign private placements denominated in Japanese yen create both an interest rate and a foreign currency risk exposure. Goodman Group's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, the Consolidated Entity has entered into USD/EUR, USD/GBP and JPY/GBP CCIRS, to provide a capital hedge against assets denominated in Euros and British pounds sterling. Details of these CCIRS are set out below:

	2014			2013		
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
CCIRS: USD receivable	LC'M	USD'M	USD/LC	LC'M	USD'M	USD/LC
Expiry by currency						
EUR payable						
Over 5 years	(376.7)	525.0	0.7175	(376.7)	525.0	0.7175
	(376.7)	525.0		(376.7)	525.0	
GBP payable						
Over 5 years	(166.0)	265.0	0.6263	(221.8)	355.0	0.6247
	(166.0)	265.0		(221.8)	355.0	
	Amounts payable	Amounts receivable	Weighted average exchange rate	Amounts payable	Amounts receivable	Weighted average exchange rate
CCIRS: JPY receivable	GBP'M	JPY'M	JPY/GBP	GBP'M	JPY'M	JPY/GBP
GBP payable						
Over 5 years	(85.9)	11,300.0	0.0076	(85.9)	11,300.0	0.0076
	(85.9)	11,300.0		(85.9)	11,300.0	

Additionally, the Consolidated Entity transacts with suppliers and customers in European countries which do not use the Euro. For material transactions, the Consolidated Entity will enter into forward foreign exchange contracts to hedge its currency exposure.

Sensitivity analysis

At 30 June 2014, if the Australian dollar had strengthened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders, excluding the fair value impact on the Consolidated Entity's derivative financial instruments, would have decreased by A\$11.1 million (2013: A\$7.7 million increase). If the Australian dollar had weakened by 5% (2013: 5%), with all other variables, in particular interest rates, held constant, the Consolidated Entity's result attributable to Unitholders, excluding the fair value impact on the Consolidated Entity's derivative financial instruments, would have increased by A\$12.2 million (2013: A\$8.5 million decrease).

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(a) Market risk (cont)

Interest rate risk

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

The Consolidated Entity's interest rate risk exposure on interest bearing liabilities together with the net exposure based on the Consolidated Entity's existing derivative financial instruments as at 30 June 2014, are set out below:

	Interest bearing liabilities AUD'M	Impact of derivatives CCIRS ¹ AUD'M	IRS AUD'M	Net interest rate exposure AUD'M
30 June 2014				
Fixed rate liabilities	1,990.6	(956.7)	1,170.3	2,204.2
Floating rate liabilities	169.9	1,119.0	(1,170.3)	118.6
	2,160.5	162.3	-	2,322.8
30 June 2013				
Fixed rate liabilities	1,977.2	(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

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

As a result of the fixed rate interest bearing liabilities and derivative financial instruments that exist as at 30 June 2014, the Consolidated Entity would have the following fixed interest rate exposure at the end of each of the next five financial years:

	2014		2013	
	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum	Fixed interest rate exposure A\$M	Weighted average interest rate % per annum
Number of years post balance date				
1 year	2,250.8	4.12%	2,110.4	4.87%
2 years	2,083.5	4.57%	1,889.9	4.91%
3 years	1,800.3	4.98%	1,575.4	5.76%
4 years	1,504.9	5.29%	1,205.4	6.70%
5 years	844.8	3.64%	1,005.7	7.26%

Sensitivity analysis

At 30 June 2014, if interest rates on borrowings had been 100 basis points per annum (2013: 100 basis points per annum) higher/lower, with all other variables held constant, the Consolidated Entity's result attributable to Unitholders for the financial year would have been A\$0.2 million lower/higher (2013: A\$0.2 million).

Price risk

The Consolidated Entity is not exposed to price risk.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. Goodman Group's objective is to maintain sufficient liquidity resources for working capital, meet its financial obligations and liabilities, pay distributions and provide funds for capital expenditure and investment opportunities. Management seeks to achieve these objectives through the preparation of regular forecast cash flows to understand the application and use of funds and through the identification of future funding, including new debt facilities, new issues of securities or the distribution reinvestment plan.

Goodman Group's treasury function is responsible for reporting details of all debt maturities for all loans across the regions to the Board at its regular meetings. The 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 Goodman Group for its review and approval.

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

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(b) Liquidity risk (cont)

The contractual maturities of financial liabilities are set out below:

	Carrying amount \$M	Contractual cash flows \$M	Up to 12 months \$M	1 - 2 year(s) \$M	2 - 3 years \$M	3 - 4 years \$M	4 - 5 years \$M	More than 5 years \$M
As at 30 June 2014								
Non-derivative financial liabilities								
Payables	220.5	207.5	118.4	38.3	11.2	20.0	2.0	17.6
Bank loans, unsecured ¹	155.4	160.6	-	0.3	-	-	160.3	-
Euro medium-term notes, unsecured	453.6	677.1	86.8	44.5	44.4	44.4	457.0	-
United States senior notes, unsecured	1,406.0	2,073.3	114.9	89.1	88.9	88.9	88.9	1,602.6
Foreign private placements, unsecured	170.2	220.1	6.5	5.4	5.3	5.3	5.3	192.3
Total non-derivative financial liabilities	2,405.7	3,338.6	326.6	177.6	149.8	158.6	713.5	1,812.5
Derivative financial liabilities/(assets) - net								
Net settled ²	46.0	47.6	20.2	11.4	6.9	4.6	1.4	3.1
Gross settled ³ :								
(Inflow)	-	(600.5)	(108.2)	(110.4)	(110.2)	(94.2)	(62.7)	(114.8)
Outflow	154.5	748.8	56.8	93.4	77.8	204.6	126.4	189.8
Total derivative financial liabilities/(assets) - net	200.5	195.9	(31.2)	(5.6)	(25.5)	115.0	65.1	78.1
As at 30 June 2013								
Non-derivative financial liabilities								
Payables	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
United States senior notes, unsecured	411.7	655.8	78.7	40.3	40.4	40.3	40.3	415.8
Euro medium-term notes, unsecured	1,428.6	2,191.0	108.6	90.3	90.5	90.3	90.3	1,721.0
Foreign private placements, unsecured	174.5	231.3	6.7	5.5	5.5	5.5	5.5	202.6
Total non-derivative financial liabilities	2,475.8	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 (assets)/liabilities - net	119.2	117.0	(23.8)	(26.6)	5.7	(13.0)	126.7	48.0

1. Cash flows relating to non-derivative financial liabilities under revolving facilities exclude any estimated interest payments.
2. Net settled relates to IRS and forward foreign currency contracts.
3. Gross settled relates to CCIRS.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(c) Credit risk

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

The maximum exposure to credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount (refer to note 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 JVs, typically to fund development projects. In making its investment decisions, the Consolidated Entity will undertake a detailed assessment of the development feasibility and credit risks associated with the relevant counterparties.

The credit risks associated with financial instruments are managed by:

- + transacting with multiple derivatives counterparties that have a long-term investment credit rating; and
- + utilising International Swaps and Derivatives Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through netting of amounts receivable and amounts payable to individual counterparties.

(d) Master netting or similar agreements

The Consolidated Entity enters into derivative transactions under ISDA master netting off agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. Under the terms of these arrangements, where certain credit events occur (such as a default), all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. As the Consolidated Entity does not have any current legally enforceable right to offset, these amounts have not been offset in the statement of financial position.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Derivative financial instruments as reported in the statement of financial position \$M	Related financial instruments that are not offset \$M	Net amount \$M
As at 30 June 2014			
Derivative financial assets			
- Interest rate swaps	28.7	(22.9)	5.8
- Cross currency interest rate swaps	74.6	(72.7)	1.9
	103.3	(95.6)	7.7
Derivative financial liabilities			
- Interest rate swaps	(74.7)	22.9	(51.8)
- Cross currency interest rate swaps	(229.1)	72.7	(156.4)
	(303.8)	95.6	(208.2)
As at 30 June 2013			
Derivative financial assets			
- Interest rate swaps	16.5	(13.6)	2.9
- Cross currency interest rate swaps	104.1	(68.9)	35.2
	120.6	(82.5)	38.1
Derivative financial liabilities			
- Interest rate swaps	(96.4)	13.6	(82.8)
- Cross currency interest rate swaps	(143.3)	68.9	(74.4)
	(239.7)	82.5	(157.2)

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(e) Fair values of financial instruments

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

Consolidated	Note	Carrying amount 2014 \$M	Fair value 2014 \$M	Carrying amount 2013 \$M	Fair value 2013 \$M
Financial assets					
Cash	19(a)	227.9	227.9	405.1	405.1
Receivables:	5				
- Loans to related parties		2,704.9	2,704.9	2,097.4	2,097.4
- Trade and other receivables		61.4	61.4	40.9	40.9
- Interest rate swaps		28.6	28.6	16.5	16.5
- Cross currency interest rate swaps		74.6	74.6	104.1	104.1
- Foreign exchange contracts		0.1	0.1	-	-
- Other financial assets		8.2	8.2	-	-
		3,105.7	3,105.7	2,664.0	2,664.0
Financial liabilities					
Payables:	9				
- Trade payables and other payables and accruals		220.5	220.5	225.5	225.5
- Interest rate swaps		74.7	74.7	96.4	96.4
- Cross currency interest rate swaps		229.1	229.1	143.3	143.3
Interest bearing liabilities ¹	11	2,160.5	2,522.1	2,250.3	2,490.8
Provisions	10	178.8	178.8	77.8	77.8
		2,863.6	3,225.2	2,793.3	3,033.8

1. The fair value of certain fixed rate interest bearing liabilities has been determined by reference to the quoted market prices at 30 June 2014 (refer to note 11).

(f) Fair value hierarchy

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

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at 30 June 2014				
Available for sale financial assets	-	-	8.2	8.2
Derivative financial assets	-	103.3	-	103.3
	-	103.3	8.2	111.5
Derivative financial liabilities	-	303.8	-	303.8
	-	303.8	-	303.8
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

There were no transfers between the levels during the year.

Goodman Industrial Trust and its Controlled Entities
Notes to the consolidated financial statements
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21 Financial risk management (cont)

(f) Fair value hierarchy (cont)

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

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

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

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

22 Commitments

Investment properties

At 30 June 2014, capital expenditure commitments on the Consolidated Entity's existing investment property portfolio are \$4.7 million (2013: \$nil).

Managed funds

At 30 June 2014, the Consolidated Entity made an equity commitment of \$123.2 million (2013: \$nil) into GELF.

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

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

- + \$980.4 million (2013: A\$435.0 million) into GNAP; and
- + \$13.9 million (2013: \$23.5 million) into funding other development JVs.

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

23 Parent Entity disclosures

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

	2014 \$M	2013 \$M
Result of the Parent Entity		
Profit for the year	293.2	81.8
Other comprehensive income	24.1	126.4
Total comprehensive income for the year	317.3	208.2
Financial position of the Parent Entity at year end		
Current assets	1,829.9	1,664.3
Total assets	4,877.1	4,756.0
Current liabilities	166.0	66.4
Total liabilities	166.0	66.4
Total equity of the Parent Entity comprising of:		
Issued capital	7,025.2	6,973.2
Reserves	(283.6)	(314.0)
Accumulated losses	(2,030.5)	(1,969.6)
Total equity	4,711.1	4,689.6

Parent Entity capital commitments

The Parent Entity has no capital commitments (2013: \$nil).

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 2014, the Consolidated Entity had A\$155.4 million (2013: A\$263.0 million) of debt which had the benefit of the CDP.

Euro medium-term note programme

Under the Euro medium-term note programme (refer to note 11), Goodman Australia Finance Pty Limited, a controlled entity of GIT, issued £250 million notes, maturing on 16 July 2018, at a fixed coupon of 9.75% per annum. Goodman Funds Management Limited, as responsible entity of GIT, and GL and GLHK have unconditionally and irrevocably guaranteed on a joint and several basis the payment of principal and interest in respect of these Euro medium-term notes.

United States senior notes

Under the issue of notes in the United States 144A/Reg S bond market (refer to note 11), 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 and 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 15) under the terms of issue and subscription terms for those securities.

Stapling agreement with GL and GLHK

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

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

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

23 Parent Entity disclosures (cont)

Parent Entity contingencies (cont)

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.

24 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.

Goodman Industrial Trust and its Controlled Entities
Directors' declaration

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 13 to 59, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the 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 2014.

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, 14 August 2014



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 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 24 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*.

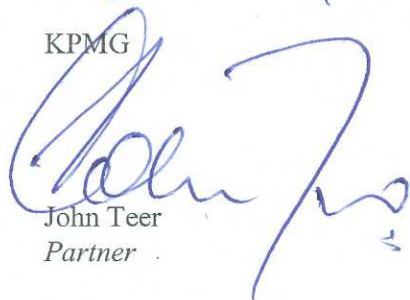
Auditor's opinion

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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.



KPMG



John Teer
Partner

Sydney

14 August 2014