Goodman Logistics (HK) Limited
ARBN 155 911 149
and its subsidiaries
Consolidated financial statements for the year ended 30 June 2015

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

Incorporation and principal place of business

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

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

Principal activities

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

Financial statements

The financial performance of the Consolidated Entity for the year ended 30 June 2015 and the Consolidated Entity's financial position at that date are set out in the financial report on pages 10 to 46.

No dividends were declared during the year.

Share capital

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

Directors

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

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

Business review

Goodman Group's strategy

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

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

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

Performance review

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

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

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

Business review (cont)

Performance review (cont)

Investment activities

Investment	2015 $M	2014 $M
Direct	9.9	8.6
Managed partnerships	15.0	9.1
Operating EBIT	**24.9**	**17.7**

Key metrics	2015	2014
Weighted average capitalisation rate (%)	8.1	8.1
Weighted average lease expiry (years)	4.5	4.2
Occupancy (%)	97.0	99.0

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

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

Development activities

Development	2015 $M	2014 $M
Net revenue	113.4	95.3
Operating EBIT	**95.1**	**77.3**

Key metrics	2015	2014
Work in progress ($ billion)	1.1	1.1
Number of developments	33	27

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

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

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

Business review (cont)

Performance review (cont)

Management activities

Management	**2015 $M**	**2014 $M**
Management income	75.1	73.6
Operating EBIT	**37.4**	**35.5**

Key metrics	**2015**	**2014**
Number of managed vehicles	7	7
External assets under management ("AUM") (end of period) ($ billion)	10.3	8.1

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

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

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

Statement of financial position

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

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

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

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

Business review (cont)

Performance review (cont)

Cash flow

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

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

Outlook

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

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

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

Business review (cont)

Risks

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

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

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

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

Environmental regulations

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

Directors' interests in contracts

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

Directors' interest in shares

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

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

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

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

Executive Directors	Number of performance rights at the start of the year	Number of performance rights granted during the year	Number of performance rights vested during the year	Number of performance rights forfeited during the year	Number of performance rights at the end of the year	Date performance rights granted	Financial years in which grant vests
Mr Gregory Leith Goodman	-	995,476	-	-	995,476	20 Nov 14	2018 – 2020
	947,368	-	-	-	947,368	22 Nov 13	2017 – 2019
	927,152	-	-	-	927,152	16 Nov 12	2016 – 2018
	980,000	-	(325,034)	(4,899)	650,067	25 Nov 11	2015 – 2017
	487,180	-	(243,590)	-	243,590	1 Feb 11	2014 – 2016
	260,000	-	(260,000)	-	-	14 May 10	2013 – 2015
Mr Philip John Pearce	-	497,738	-	-	497,738	20 Nov 14	2018 – 2020
	394,737	-	-	-	394,737	22 Nov 13	2017 – 2019
	298,013	-	-	-	298,013	16 Nov 12	2016 – 2018
	200,000	-	(66,333)	(999)	132,668	30 Sep 11	2015 – 2017
	102,565	-	(51,283)	-	51,282	1 Feb 11	2014 – 2016
	76,389	-	(76,389)	-	-	14 May 10	2013 – 2015

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

Auditors

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

Subsequent events

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

Declaration by the Group Chief Executive Officer and Chief Financial Officer

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

By order of the board

Ian Douglas Ferrier, AM
Independent Chairman

Philip John Pearce
Managing Director, Greater China

Sydney, 13 August 2015

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated statement of financial position
as at 30 June 2015

(expressed in Australian dollars)

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

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

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) Directors
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The notes on pages 14 to 46 form part of these consolidated financial statements.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated statement of comprehensive income
for the year ended 30 June 2015

(expressed in Australian dollars)

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

The notes on pages 14 to 46 form part of these consolidated financial statements.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated statement of changes in equity
for the year ended 30 June 2015

(expressed in Australian dollars)

Year ended 30 June 2014

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

1. Amounts less than $0.1 million.

Year ended 30 June 2015

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

The notes on pages 14 to 46 form part of these consolidated financial statements.

Goodman Logistics (HK) Limited and its subsidiaries
Consolidated cash flow statement
for the year ended 30 June 2015

(expressed in Australian dollars)

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

The notes on pages 14 to 46 form part of these consolidated financial statements.

(expressed in Australian dollars)

Basis of preparation

1. Basis of preparation

(a) Statement of compliance

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

(b) Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

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

(c) Principles of consolidation

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

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

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

Basis of preparation

1. Basis of preparation (cont)

(c) 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 gain or loss and no goodwill is recognised as a result of such transactions.

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

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

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

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

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

(d) Foreign currency translation

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

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

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

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

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

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

Basis of preparation

1. Basis of preparation (cont)

(e) Changes in accounting policies

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

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

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

(f) Accounting standards issued but not yet effective

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

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

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

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

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

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

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

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

Measurement of fair values

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

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

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

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

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

Results for the year

2. Profit before interest and tax

Gross property income

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

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

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

Management income

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

Development income

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

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

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

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

Disposal of investment properties

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

Employee benefits

Wages, salaries and annual leave

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

Defined contribution retirement plans

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

Results for the year

2. Profit before interest and tax (cont)

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

Results for the year

3. Segment reporting

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

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

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

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

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

Information about reportable segments

	Asia		Continental Europe		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Consolidated statement of comprehensive income	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
External revenue						
Gross property income	4.9	3.3	9.5	11.2	14.4	14.5
Management income	37.3	38.8	37.8	34.8	75.1	73.6
Development income	32.1	28.8	370.2	362.3	402.3	391.1
Distributions from investments	8.0	0.8	-	-	8.0	0.8
Total external revenue	**82.3**	**71.7**	**417.5**	**408.3**	**499.8**	**480.0**
Reportable segment profit before income tax	**71.0**	**58.7**	**86.4**	**71.8**	**157.4**	**130.5**
Other key components of financial performance included in reportable segment profit before tax						
Share of net results of equity accounted investments (before fair value adjustments)	10.1	7.0	4.9	2.1	15.0	9.1
Material non-cash items not included in reportable segment profit before income tax						
Net loss from fair value adjustments on investment properties	-	-	(18.8)	-	(18.8)	-
Share of fair value adjustments in equity accounted investments	5.6	12.2	4.6	(1.5)	10.2	10.7
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Consolidated statement of financial position	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Reportable segment assets	**861.6**	**685.6**	**525.4**	**455.3**	**1,387.0**	**1,140.9**
Investments accounted for using the equity method (included in reportable segment assets)	386.1	225.9	67.3	55.8	453.4	281.7
Total non-current assets	722.8	463.8	448.9	353.5	1,171.7	817.3
Reportable segment liabilities	**28.5**	**43.3**	**41.0**	**57.4**	**69.5**	**100.7**

Results for the year

3. Segment reporting (cont)

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

	2015 $M	2014 $M
Revenue		
Total revenue for reportable segments	499.8	480.0
Consolidated revenue	**499.8**	**480.0**
Profit or loss		
Total profit before income tax for reportable segments	157.4	130.5
Material non-cash items not included in reportable segment profit before income tax	(9.8)	10.2
Unallocated amounts: other corporate expenses	(15.0)	(13.9)
Unallocated amounts: share based payments expense	(16.8)	(13.8)
Net finance expense - refer to note 9	(20.5)	(23.5)
Consolidated profit before income tax	**95.3**	**89.5**
Assets		
Total assets for reportable segments	1,387.0	1,140.9
Other unallocated amounts[1]	62.7	42.7
Consolidated total assets	**1,449.7**	**1,183.6**
Liabilities		
Total liabilities for reportable segments	69.5	100.7
Other unallocated amounts[1]	1,066.3	906.2
Consolidated total liabilities	**1,135.8**	**1,006.9**

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

Results for the year

4. Income tax expense

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

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

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

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

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

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

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

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

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

Results for the year

4. Income tax expense (cont)

(c) Net income tax payable

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

(d) Deferred tax assets and liabilities

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

5. Profit attributable to equity shareholders of the Company

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

Operating assets and liabilities

6. Property assets

(a) Types of property assets

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

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

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

Inventories

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

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

Investment properties

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

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

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

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

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

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

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

Operating assets and liabilities

6. Property assets (cont)

(a) Types of property assets (cont)

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

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

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

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

(c) Estimates and assumptions in determining property carrying values

Inventories

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

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

Stabilised investment properties

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

Operating assets and liabilities

6. Property assets (cont)

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

Approach to determination of fair value

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

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

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

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

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

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

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

Market assessment

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

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

Investment properties under development

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

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

Operating assets and liabilities

6. Property assets (cont)

(d) Inventories

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

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

(e) Investment properties

Reconciliation of carrying amount of directly held investment properties

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

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

Measurement of fair value

(i) Fair value hierarchy

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

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

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

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

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

Operating assets and liabilities

6. Property assets (cont)

(f) Investments accounted for using the equity method

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

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

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

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

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

Summary financial information of JVs

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

Operating assets and liabilities

6. Property assets (cont)

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

Investments in JVs (cont)

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

Operating assets and liabilities

7. Receivables

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

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

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

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

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

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

Impairment

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

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

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

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

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

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

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

Operating assets and liabilities

7. Receivables (cont)

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

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

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

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

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

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

Trade receivables

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

Other receivables

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

Amounts due from related parties

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

Loans to related parties

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

Operating assets and liabilities

8. Payables

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

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

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

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

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

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

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

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

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

Capital management

9. Finance income and expense

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

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

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

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

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

Capital management

10. Other financial assets

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

Available for sale financial assets comprise investments in equity securities.

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

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

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

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

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

11. Financial risk management

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

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

Financial risk management

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

Capital management

11. Financial risk management (cont)

(a) Market risk

Foreign exchange risk

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

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

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

Exposure to currency risk

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

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

Sensitivity analysis

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

Capital management

11. Financial risk management (cont)

(a) Market risk (cont)

Interest rate risk

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

Sensitivity analysis

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

Price risk

The Consolidated Entity is not exposed to price risk.

(b) Liquidity risk

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

Capital management

11. 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
2015								
Trade and other payables	62.4	62.4	57.5	4.9	-	-	-	-
Loans from related parties	1,044.5	1,044.5	1,044.5	-	-	-	-	-
Total	**1,106.9**	**1,106.9**	**1,102.0**	**4.9**	**-**	**-**	**-**	**-**
2014								
Trade and other payables	86.0	86.0	82.0	4.0	-	-	-	-
Loans from related parties	885.3	885.3	885.3	-	-	-	-	-
Total	**971.3**	**971.3**	**967.3**	**4.0**	**-**	**-**	**-**	**-**

Capital management

11. 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 in the consolidated statement of financial position, is the carrying amount (refer to note 7).

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

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

(d) Fair values of financial instruments

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

(i) Valuation techniques and significant unobservable inputs

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

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

Capital management

11. Financial risk management (cont)

(d) Fair values of financial instruments (cont)

(ii) Reconciliation of Level 3 fair values

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

12. Dividends

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

13. Share capital

(a) Ordinary shares

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

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

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

1. Amounts less than $0.1 million.
2. During the year, the Company issued 8,885,569 (2014: 5,508,862) shares to employees of Goodman Group under the Goodman Group Long Term Incentive Plan ("LTIP") and Goodman Group Tax Exempt Plan.

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

Capital management

13. Share capital (cont)

(b) Equity settled share based payments transactions

Share based payments transactions

The fair value of rights and options over stapled securities, granted to employees of the Consolidated Entity by Goodman Group, at the grant date is recognised as a share based payments expense in the results of the Consolidated Entity with a corresponding increase in equity. The share based payments expense is calculated over the period to the vesting date and is adjusted to reflect the actual number of rights or options for which the related service and non-market vesting conditions are expected to be met. The fair values of rights and options are measured at the grant date using a combination of Monte Carlo simulations and Black Scholes pricing models.

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

LTIP

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

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

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

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

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

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

Capital management

13. Share capital (cont)

(b) Equity settled share based payments transactions (cont)

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

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

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

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

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

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

Other items

14. Notes to the consolidated cash flow statement

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

(a) Reconciliation of cash

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

	2015 $M	2014 $M
Cash assets	**92.3**	**92.6**

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

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

Other items

15. Reserves

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

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

	Consolidated		Company	
	2015	**2014**	**2015**	**2014**
	$M	**$M**	**$M**	**$M**
(a) Asset revaluation reserve				
Balance at the beginning of the year	7.4	(10.5)	4.9	-
Increase due to revaluation of other financial assets	6.1	4.9	5.9	4.9
Transfers (to)/from retained earnings	(7.3)	13.0	-	-
Balance at the end of the year	**6.2**	**7.4**	**10.8**	**4.9**
Refer to note 6(a) for the accounting policy relating to this reserve.				
(b) Foreign currency translation reserve				
Balance at the beginning of the year	(12.8)	(1.3)	-	-
Net exchange differences on conversion of foreign operations	23.2	(11.5)	-	-
Balance at the end of the year	**10.4**	**(12.8)**	**-**	**-**
Refer to note 1(d) for the accounting policy relating to this reserve.				
(c) Employee compensation reserve				
Balance at the beginning of the year	3.2	1.0	3.2	1.0
Equity settled share based payments transactions	3.5	2.2	3.5	2.2
Balance at the end of the year	**6.7**	**3.2**	**6.7**	**3.2**
Refer to note 13(b) for the accounting policy relating to this reserve.				
(d) Common control reserve				
Balance at the beginning of the year	(538.1)	(538.1)	-	-
Balance at the end of the year	**(538.1)**	**(538.1)**	**-**	**-**
Refer to note 1(c) for the accounting policy relating to this reserve.				

16. Retained earnings

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

Other items

17. Investments in subsidiaries

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

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

18. Related party transactions

Related parties

(i) A person, or a close member of that person's family, is related to the Company if that person:
- (1) has control or joint control over the Company;
- (2) has significant influence over the Company; or
- (3) is a member of the key management personnel of the Company or the Company's parent.

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

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

(a) Directors' remuneration

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

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

Other items

18. Related party transactions (cont)

(b) Transactions and amounts due from related parties

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

(c) Financing arrangements with related parties

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

1. Loans by the Consolidated Entity to/from JVs and other related parties have generally been provided on an arm's length basis. At 30 June 2015, details in respect of the principal loan balances are set out below:
   + a shareholder loan of $5.8 million (2014: $9.6 million) was provided to Goodman Pyrite Logistics (Lux) Sàrl, a controlled entity of Goodman European Logistics Fund, and incurred interest at 6.9% per annum;
   + loans from GL, GIT and their controlled entities amounting to $1,044.5 million (2014: $885.3 million) are repayable on demand. Of this amount, $1,035.2 million (2014: $877.2 million) is interest bearing and $9.3 million (2014: $8.1 million) is non-interest bearing. The interest bearing loans incur interest at rates ranging from 2.1% to 5.4% (2014: 2.9% to 7.5%) per annum; and
   + loans to GIT and its subsidiaries amounting to $62.7 million (2014: $42.7 million) are repayable on demand. Of this amount, $43.9 million (2014: $26.9 million) is interest bearing and $18.8 million (2014: $15.8 million) is non-interest bearing. The interest bearing loan incurs interest at rates ranging from 2.3% to 3.3% (2014: 2.9% to 3.5%) per annum.

Other items

19. Commitments

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

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

Non-cancellable operating lease receivable from investment property customers

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

20. Contingencies

Capitalisation Deed Poll

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

Euro medium-term note programme

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

United States senior notes

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

Goodman PLUS hybrid securities guarantee

Goodman PLUS Trust, a controlled entity of GIT, has 3,269,665 hybrid securities on issue at a face value of $100 each. The hybrid securities are preferred, perpetual non-call securities which are listed on the ASX. Goodman Funds Management Limited, as responsible entity of GIT and GLHK and GL guarantee jointly and severally, unconditionally and irrevocably the payment of the moneys owing to the holders of Goodman PLUS under the terms of issue and subscription terms for those securities.

Other items

21. Company level statement of financial position

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

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

)
)
) Directors
)
)

22. Subsequent events

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

KPMG

Independent auditor's report
to the members of Goodman Logistics (HK) Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Goodman Logistics (HK) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 10 to 46, which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

KPMG

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

13 August 2015