



19 September 2007

The Manager  
Company Notices Section  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**GOODMAN GROUP ("GOODMAN") DISPATCH OF ANNUAL REPORTS  
FOR YEAR ENDED 30 JUNE 2007 TO SECURITYHOLDERS**

We confirm that the attached Goodman Annual Report 2007 and Goodman Industrial Trust Annual Financial Report 2007 were dispatched to Securityholders today.

Feel free to contact the undersigned should you have any queries.

Yours sincerely

Carl Bicego  
Company Secretary

enc



19 September 2007

Dear Securityholder

**GOODMAN GROUP ("GOODMAN") ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2007**

I am pleased to present the Goodman Annual Report for the year ended 30 June 2007. In accordance with regulatory reporting requirements, we also enclose the Goodman Industrial Trust Annual Financial Report 2007 which represents a component of the stapled group.

The Goodman Annual Report features the Group's new branding which was launched on 2 July following overwhelming securityholder approval. The Goodman name and new identity was chosen to unite all group companies under one brand to present a fresh, clear and consistent global image.

During the 2007 financial year, Goodman delivered strong earnings of \$622.5 million and increased distributable income by 15% to 31.5 cents per security or \$514 million. Investors enjoyed a total return for the 2007 financial year of 17.3%.

The Annual General Meeting of Goodman securityholders is to be held at 10.00am on Thursday 22 November 2007 at The Westin Hotel, 1 Martin Place, Sydney. A Notice of Meeting will be dispatched to all securityholders in due course.

Thank you for your support and we look forward to continued growth and another strong, exciting year ahead.

Yours sincerely

Greg Goodman  
Group Chief Executive Officer

robust+sustainable+established+  
fresh+pioneering+diverse+focus+  
customers+flexible+visionary+  
partners+strategic+building+  
relationships+expertise+global+local+  
assets+property+space+people+service+  
value+expansion+scale+efficient+  
prudent+engaged+committed+  
**goodman=growth**



▲ 18%

growth in operating earnings per security

▲ \$622.5m

net profit after tax

▲ 17.3%

total return to Securityholders

▲ 31.5¢

distribution per security

▲ \$36.9b

assets under management

▲ \$1.8b

of new developments completed

▲ 1,243

people worldwide

Goodman is a company with a strong entrepreneurial culture of doing things differently. This year we have continued to grow and take our distinctive approach to owning, developing and managing quality business space into new markets worldwide.

**goodman=growth**

|   |                                        |    |                      |     |                        |
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“Goodman now employs  
over 1,000 people in more  
than 20 countries across  
Asia Pacific and Europe.”



# standing strong+ working together

Chairman's report  
David S. Clarke, AO

I am pleased to present Goodman Group's Annual Report for 2007, a year in which the Group continued its strong performance and international expansion. We also completed a significant rebranding project bringing together all our global businesses under the new Goodman brand.

As a result of our global expansion over the past two years, we have taken our successful operations to new markets around the world. In the process, we have emerged as a major global player and a leader in each of the markets in which we operate. Our expansion is also delivering strong financial results for our investors.

The Group's core business offering, however, remains unchanged. We own, develop and actively manage industrial and business property in a way that enables us to ensure strong returns for investors. At the same time we build long-term relationships with customers. At the heart of this strategy are our people and the unique service and expertise they offer in each of our locations.

Goodman now employs over 1,000 people in more than 20 countries across Asia Pacific and Europe. Our new brand, which was launched on 2 July 2007, embodies the global integration and unity of the company as we move forward.

Major events in 2006-07 included two significant UK acquisitions, delivering a portfolio of business parks to build on our existing platform and boosting our UK logistics offering. Combined with our earlier acquisitions, the Group now has a significant presence in the still fragmented European property and logistics arena, providing a solid platform for growth in the coming years.

We also entered the Japanese market with the acquisition by Macquarie Goodman Asia (our joint venture with Macquarie Bank) of a majority stake in Japan Representative ("J-REP"), a logistics-focused property company with a similar business model to that of Goodman. On the funds management side of the business, we launched the Goodman European Logistics Fund as a major new vehicle through which wholesale investors can gain exposure to returns from the strong continental European logistics property market.

The Board remains focused on ensuring that investors and customers continue to benefit from the Group's strong business model while maintaining the highest standards of transparency and corporate governance.

The Board is grateful for the support that Securityholders, customers, staff and partners have provided over the past year. We look forward to serving you again in the current year as the Group realises the value of its expanded global business platform.



David S. Clarke, AO  
Chairman

| Year ended                                            | 30 June 07 | 30 June 06 |
|-------------------------------------------------------|------------|------------|
| Adjusted earnings per security <sup>(1)</sup> (cents) | 31.5       | 26.7       |
| Distribution per security (cents)                     | 31.5       | 27.5       |
| Payout ratio (%)                                      | 100%       | 103%       |
| Total assets (\$M)                                    | 9,169.3    | 6,753.2    |
| Gearing (%)                                           | 41.6%      | 32.2%      |
| Net tangible assets per security (\$)                 | 1.93       | 1.73       |
| Units on issue                                        | 1,692.7    | 1,608.8    |
| Market capitalisation (\$M)                           | 11,375.2   | 9,653.0    |

(1) Adjusted EPS excludes unrealised gains on property revaluations, AIFRS and other non-cash adjustments.

# standing strong+ working together



In the 2007 financial year, Goodman Group built on the foundations laid down over the previous two years to deliver EPS growth of 18% and further develop recurring income streams. At the core of our successful global expansion is a proven, sustainable business model. We now have the platforms and people in place to enable us to continue expanding our established “own+develop+manage” approach in markets worldwide.

The impact of our recent growth initiatives is reflected in this year's positive financial results. The total return to Securityholders was 17.3%, based on distributions of 31.5 cents per security and a closing security price for the year of \$6.72 – a 12% increase on 30 June 2006.

The Group achieved distributable earnings of \$514 million, equating to 31.5 cents per security. This was an increase of 18% on the 2005-06 financial year and we are well positioned for continued growth.

Goodman's property investment portfolio this year increased by 15% to reach \$5.3 billion. The amount of business space managed by our property services team exceeded 11.4 million sqm worldwide and we completed \$1.8 billion in developments during the year. The Group's total funds under management increased by 30% to \$36.9 billion.

We have maintained a focus on ensuring that a large proportion of the business earnings are being derived from sustainable and recurring sources such as management fees and property based income. For the 2007 financial year 80% of Goodman's EBIT was recurring with 34% being derived from Europe, and the remainder from the Asia Pacific region.

Goodman's strategy is to expand both through strategic acquisitions and organic growth to establish a sustainable business over the long-term, without compromising short-term growth targets and returns. This means leveraging our position in existing markets as well as embracing new opportunities when they align with our strategy.

In 2007, we entered the Japanese market with our joint venture partner, Macquarie Bank through a strategic alliance with J-REP. Our European business experienced accelerated growth through strategic acquisitions, and at the same time, we grew organically in our traditionally strong markets of Asia Pacific.

The Group has been assisted by ongoing demand for our properties and services. This is particularly true in Europe, where we now have a significant presence and have become a leading player in the region's fragmented market.

## Group operations

After more than a decade of growth and a number of recent acquisitions, Goodman is a leading player in industrial property and business space. We have rebranded our business this year from Macquarie Goodman to Goodman, unifying our operations under a fresh new brand.

Our business remains straightforward and consistent internationally. We invest in and develop industrial properties and business space, then target above-benchmark returns by actively managing them. This ensures we maintain high levels of customer satisfaction and in turn strong occupancy and retention rates, which are key to delivering attractive and high quality returns to investors.

The Group continues to actively manage capital to ensure we are operating as efficiently as possible and prudently manage risk for consistent performance and stability.

## Property investment

Goodman's total property investment portfolio this year increased by \$0.7 billion to reach \$5.3 billion. This is divided into three main parts: a direct portfolio of properties that we own in Australia; properties in other markets that are

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“We aim to be a leading player in every market in which we operate, with a long-term focus on building sustainable growth.”

## Group Chief Executive Officer's report (continued)

'warehoused' and will become the basis for new managed funds open to third-party investors; and cornerstone investments in the Group's existing managed funds.

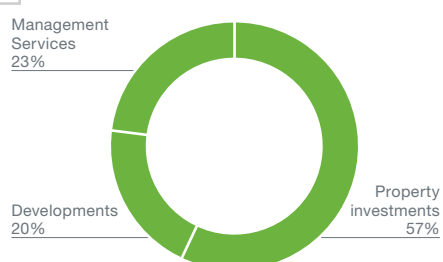
The value of the Group's direct portfolio decreased by 7% to \$3.5 billion in 2006-07 but has been offset by increased cornerstone investments in our managed funds. This reflects our strategy of investing in our managed funds to improve diversity and scale while ensuring Goodman's interests align with those of other investors. The growth of these funds also drives management services income for the Group.

As of June 2007, our portfolio of warehoused investment assets totalled \$0.3 billion.

The majority of these are properties in the United Kingdom, which will become the foundation for the planned UK Logistics Fund. We expect this to launch in the second half of the 2007-08 year.

The total value of the Group's cornerstone investments in Goodman's managed funds more than doubled this year from \$0.7 billion to \$1.5 billion. They provided an average income return of 6.3% and average total return of 24.2%.

### Earnings by business segment



### Property services

At the end of the financial year, the Group had more than 11.4 million sqm of business space under management worldwide. Our 312 property services staff met the needs of approximately 2,600 customers. These services include the day-to-day management of properties, such as facility management and leasing, through to developing long-term business plans for our properties and evaluating potential investments.

In Australia, the result of this diligent approach to property management was a high occupancy rate of 98%, Weighted Average Lease Expiry ("WALE") of 4.9 years and an average rental increase of 3.2% on new lease transactions as of June 2007. There were 252,437 sqm of leasing deals done for the financial year, totalling \$34.3 million net annual rental. Our customer retention rate was 77% (80% over five years).

We are also actively working with customers to improve the environmental performance of our properties in line with Goodman's sustainability policies.

### Property development

Goodman's property development activities include developments for the Group, its managed funds and partners.

In 2007 our workbook of active developments increased 32% to \$3.3 billion, largely due to our expansion in the UK and Europe. We completed \$1.8 billion in developments, representing a total of 1.2 million sqm of new industrial and business space, and commenced \$2.4 billion in new commitments. Importantly, 67% of those projects have been pre-committed by customers, and

57% of these developments were undertaken within our funds.

Our profits from developments represented 20% of overall Group earnings, which was in line with the Group's target. This ensures that we maintain a pipeline of quality real estate for our investors and funds.

As Goodman grows, we are realising more and more value from our integrated business model. The scale afforded through our access to third-party funds from repeat international investors enables us to deliver more developments for long-term customers. Examples in the 2006-07 year include our ability to service organisations such as Amazon, DHL and Woolworths in their expansion plans, and we worked with them to create new facilities at key operational locations.

### Fund management

The Group's total assets under management again grew strongly in 2007, from \$28.5 billion as at June 2006 to \$36.9 billion as of June 2007. This was primarily driven by on-market acquisitions, our development activity and organic growth in existing funds. Goodman also launched the \$0.5 billion European Logistics Fund in December 2006.

Our total assets under management are held within Goodman Group; our listed and unlisted managed funds in Australia, New Zealand, Hong Kong, Singapore, the UK and Europe; and funds managed by Goodman Property Investors ("GPI"). Goodman's managed funds and GPI delivered an average return of 21.8% in the financial year and all outperformed their benchmarks.

Goodman's approach provides international and equity diversity and our funds have



been well supported by leading international investors. At year end, more than 80 investors held positions in two or more Goodman funds. Of these, some 79% by value were based outside Australia, demonstrating our increased global recognition and ability to manage properties in local markets around the world.

This larger, global funds management platform will play a key role in enabling Goodman to grow earnings outside of its traditional markets of Australia and New Zealand. In the 2006-07 year, 43% of Group earnings were derived from outside Australia. This is expected to continue to increase in the 2008 financial year.

#### Goodman Property Investors

GPI is a subsidiary of Goodman Group with a 30 year heritage as one of the UK's leading property investment and service providers. This business became part of Goodman with our UK acquisitions in 2005 and has extended our reach into the management of mandated funds for some of the world's largest financial institutions.

During the 2007 year, GPI achieved a strong 21% growth in funds to \$14.9 billion and delivered an average total return of 18.8%. We were particularly delighted in May when GPI was named UK Property Manager of the Year at the Financial Times Business Pension and Investment Provider Awards held in London.

#### Capital management

Efficient and effective management of capital remained a major focus for the Group in 2007. This year we successfully repositioned our debt platform to a flexible, unsecured, syndicated, multi-currency facility. The Group's Balance Sheet remains well positioned to facilitate the execution

of our ongoing strategy. This and other capital and risk management initiatives are outlined in the Chief Financial Officer's Report.

#### Goodman Foundation

The Goodman Foundation was established in November 2005 to provide support to disadvantaged people in the communities that we serve. I am pleased to say that in the year ended June 2007, through funding provided by the Company, the Foundation donated more than \$250,000 to organisations such as OzHarvest – a charity which redirects excess fresh foods from restaurants to the homeless. We intend to build on this important initiative in our new communities around the world and recently launched a program whereby the Foundation matches employee contributions via payroll to charities with similar objectives.

#### Outlook

We remain focused on industrial property and business space and continue to build scale within this attractive market segment via our proven customer service offering supported by our "own+develop+manage" approach.

With significant platforms and people in place across Asia Pacific and Europe, the Group is now positioned to leverage those platforms, continuing the expansion of existing operations and seeking new opportunities in those markets. The launch of the UK Logistics Fund will be one such opportunity this year.

Property fundamentals remain strong for industrial and business space across all regions in which we operate. The occupancy rates for the facilities we own and manage remain robust and demand for new facilities across all markets is as strong as we have seen it in recent times.

We continue to invest in the development and growth of our people and with our global expansion, have taken the opportunity to transfer talented people to offshore locations around the Group. In particular we have also integrated people from those companies who have recently joined the Group. Our success to date has been largely due to the efforts of our well managed and highly skilled staff. On behalf of Securityholders, I would like to record my thanks and appreciation of the efforts of all employees.

We believe the infrastructure in place provides a robust platform to continue to deliver sustainable earnings growth at the top end of our peer group.

Gregory Goodman  
Group Chief Executive Officer

# progressive+ practical

Group Chief Financial  
Officer's report  
Anthony Rozic



At the core of Goodman's business is the effective and prudent management of capital. This provides the base for our entrepreneurial business model and ability to meet customers' needs, while ensuring high quality returns and security for investors.

An important milestone was reached during the 2007 financial year in repositioning our debt platform from secured to unsecured. Becoming unsecured required the Company to be rated by Moody's and Standard & Poor's for the first time. We were pleased to receive the gradings of Baa1 and BBB+ respectively. This demonstrates the high regard in which the Group is held.

The Syndicated Multi-currency Facility ("SMCF") we established in 2006 has increased from \$1.4 to \$2.0 billion this year. This is a significant resource for simplifying management of the Group's debt and increasing financial flexibility.

These changes will provide greater efficiency, enabling the Group to further enhance our Balance Sheet by proactively managing debt and equity. One example of this is developing properties then moving them off our Balance Sheet and into third-party funds. This will liberate capital for new developments, starting the cycle again.

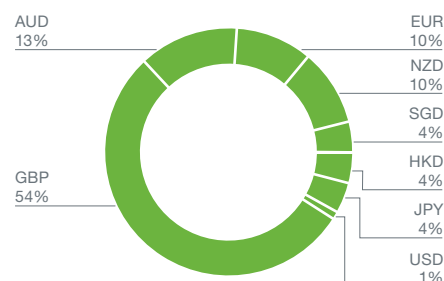
Our approach to equity raising is very conservative. We have operated the Distribution Reinvestment Plan, with a high participation rate from investors and we raised a further \$48.9 million from the Securityholders Purchase Plan ("SPP"). After a number of substantial acquisitions, our gearing level increased to 41.6%. This is slightly outside our policy band target of 35%-40%, and is forecast to

reduce over the short term with recycling of capital and the proposed launch of the UK Logistics Fund.

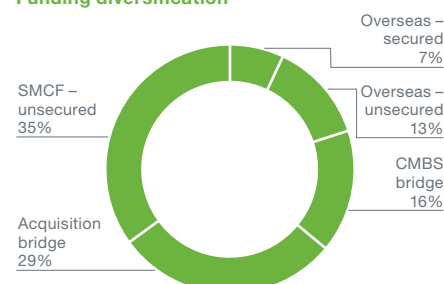
The Group also took a conservative approach to risk management. Interest rates were fixed for up to ten years, reducing the volatility of earnings that could follow changes in interest rates, and thereby ensuring more consistent returns for Securityholders.

  
Anthony Rozic  
Group Chief Financial Officer

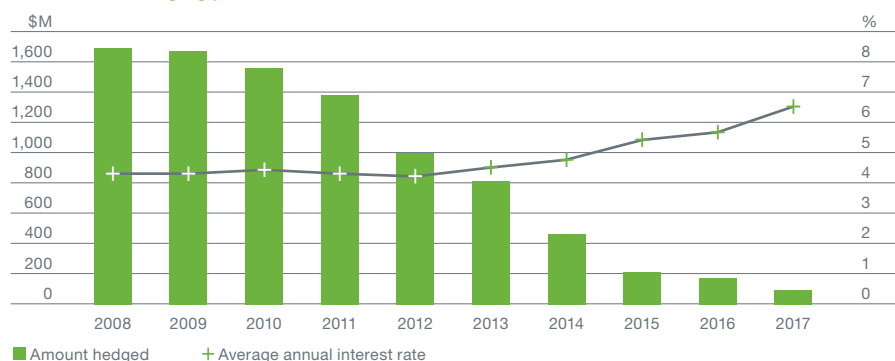
## Currency mix



## Funding diversification



## Interest rate hedging profile





More than  
the sum  
of our parts

Goodman's ability to deliver superior results for customers, partners and investors comes from the tight alignment and integration across the organisation and the way the business units come together.

We cultivate exclusive investment opportunities and make them available to our Securityholders and the managed funds that we build and support. This would not be possible without having market leading expertise and long-term relationships across each part of our business value chain.

Our local knowledge, backed by global capability, enables us to be uncompromising in our exceptional customer service standards.



“Highbrook is set in an area of great natural beauty so we’ve had a wonderful opportunity to build a business park that combines a dynamic business environment with exceptional recreational facilities. Highbrook isn’t only good for business, it’s good for life.”

John Dakin, Chief Executive Officer,  
Goodman New Zealand

# diverse+ focused

## Property investment

Our property investment activities span the globe and Goodman Group remains specialised in business space and industrial property. The value of the Group's portfolio of industrial property and business space in Asia Pacific and Europe increased by 15% to reach \$5.3 billion. As part of this, we grew our strategic cornerstone investments in major third-party funds around the world to \$1.5 billion.

+ Goodman's total property investment portfolio increased this year by \$0.7 billion to reach \$5.3 billion.

+ Performance in the Australian direct portfolio was strong, with 3.2% growth in rental income, WALE of 4.9 years and occupancy rates of 98%.

+ Strong cornerstone investment performance with an average total return of 24.2%.

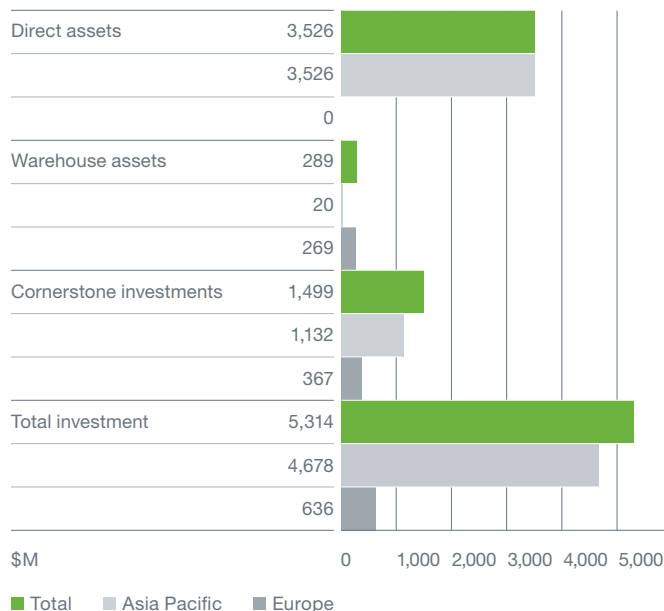
### Case study: Highbrook Business Park

Highbrook Business Park in Auckland, New Zealand, is a world-class business park complemented by extensive parkland reserve.

With a total area of 150 hectares, it is the largest development of its kind in New Zealand and expected to be valued at more than NZ\$1 billion once fully developed. The 12,000 people who will eventually work there will enjoy exceptional grounds and facilities, from outstanding buildings to cycling tracks and cafés. The site has already won an international award from the American Society of Landscape Architects.

At the same time, investors are gaining from Goodman's ability to create its own development products and expertly manage capital and risk.

### Capital allocation



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"DHL has a diverse range of global customers with complex needs. Goodman understands that we require highly flexible solutions in terms of both property solutions and commercial structures, and have partnered with us at a strategic level to deliver and manage great business space globally."

Terry Ryan, Senior Vice President,  
South Pacific, DHL

# consistent+ personal

Property  
services

A key part of Goodman Group's business model is to actively manage the properties we own. We do everything from renewing leases and changing light globes to assisting organisations find the right solutions for their changing business needs – globally. The result is high occupancy and customer retention rates, leading to superior returns for investors.

+ Goodman's property services team manages more than 11.4 million sqm of industrial property and business space globally.

+ The result of our diligent approach to property management in Australia was a customer retention rate of 77%.

+ As of 30 June 2007, Goodman experienced an average increase of 3.2% on new lease transactions in Australia.

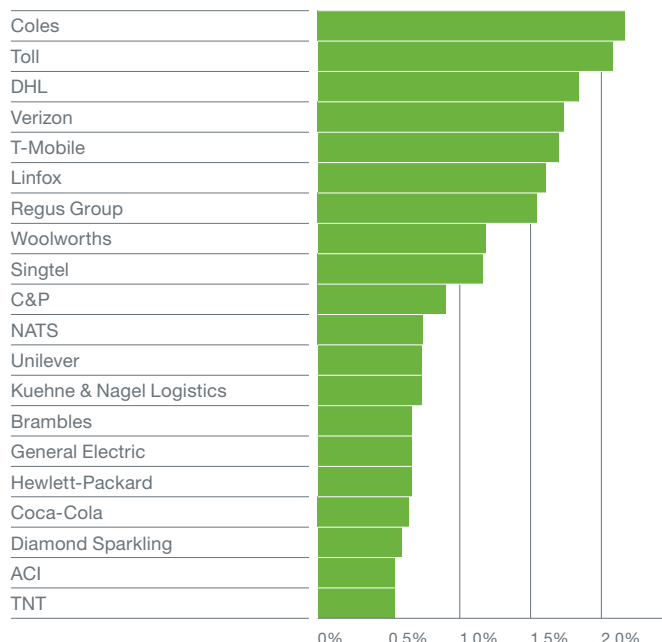
## Case study: DHL

Global logistics leader DHL has been a Goodman customer for many years, occupying many sites around the world.

When it won a major contract in South Australia in 2006, it needed 28,000 sqm of new business space. Goodman actively sought out and upgraded a 12,000 sqm building that came with associated development land as a holdover solution. Then, showing how our services and development businesses work together, we purpose-built the larger facility at the same site.

Once DHL was ready to move, Goodman had the expertise to take on the financial risk involved in releasing it from the interim building.

Top 20 Goodman Group customers (by net rental income)



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“Goodman responded to our needs and delivered on their promises. Working with their professional teams has achieved an excellent outcome for our organisation.”

John Wallace, Group Property Manager,  
National Air Traffic Services

# functional+ intelligent

Property  
development

When it comes to property development, we believe it's not about the buildings but the people who work there. By partnering with customers and thinking creatively, we develop high-quality business parks, office parks, industrial estates and warehouse and distribution centres. With a presence in more than 20 countries, we are able to meet customers' changing business needs with purpose-built solutions.

+ In 2007, our workbook of active developments increased 32% to \$3.3 billion, largely due to our expansion in the UK and Europe.

+ Goodman completed \$1.8 billion in developments, representing a total of 1.2 million sqm of new industrial and business space and commenced \$2.4 billion in new commitments.

+ Approximately 57% of new developments were undertaken within our funds.

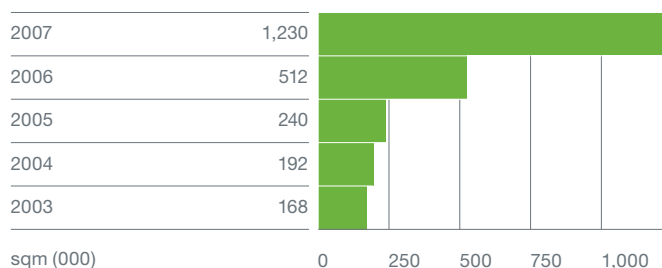
## Case study: National Air Traffic Services

National Air Traffic Services ("NATS") provides air traffic control services to aircraft flying through UK airspace, handling more than two million flights a year.

Through its integrated development and support services, Goodman created a 130,000 sq ft Corporate and Technical Centre at Solent Business Park. We also provided 23,000 sq ft of fully serviced interim accommodation in just 18 weeks and managed the transfer of critical technology systems between sites. The new Corporate and Technical Centre – comprising three buildings, a new access road, infrastructure and landscaping – was completed on budget and within a demanding 14 month timeframe.

The project was such a success that NATS brought forward expansion plans and has since commissioned Goodman to complete two further buildings at Solent Business Park.

## Completed developments





FOR FRONT

"We were delighted to be able to deliver a 17.1% total return in our first full year in Hong Kong. Looking ahead, MGLF-HK will continue to focus on growing its portfolio and implementing new ideas to provide greater diversity for customers and investors."

Daniel McDonald, Managing Director,  
Goodman Hong Kong

Goodman Group's experienced team acquires and develops properties for specialist property investment funds. Our business is supported by institutional and retail investors from around the world. However, the exceptional value we provide comes from managing properties locally with people who understand the markets and their customers' needs.

+ The Group's total assets under management grew strongly from \$28.5 billion at June 2006 to \$36.9 billion as of June 2007.

+ More than 80 global investors held positions in two or more Goodman funds.

+ The Goodman European Logistics Fund launched with \$0.5 billion in December 2006.

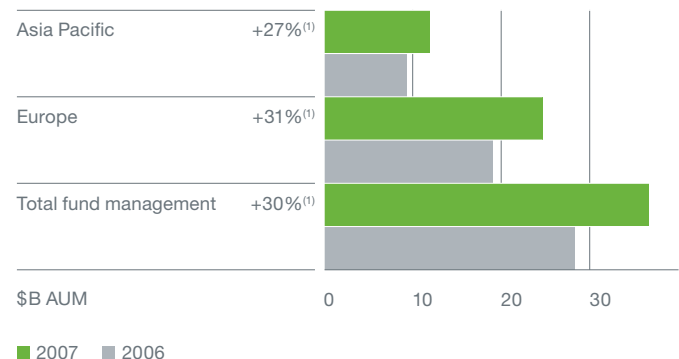
## Case study: Macquarie Goodman Hong Kong Logistics Fund

Goodman is bringing a fresh approach to the management of business space in Asia and is delivering quality returns to its investors.

It launched the Macquarie Goodman Hong Kong Logistics Fund ("MGLF-HK") (previously Macquarie Goodman Hong Kong Wholesale Fund) in April 2006 in partnership with Macquarie Bank, initially investing in a portfolio of leading Hong Kong properties worth A\$850 million. By year end, the value of the property owned by the fund exceeded \$1 billion and had delivered a 17.1% total return to its securityholders.

By introducing a unique investment vehicle and building value through its world-class approach to property management and customer service, Goodman has been able to offer international investors exposure to this important and growing property investment market. In turn, MGLF-HK has quickly become one of the largest owners and managers of logistics properties in Hong Kong.

## Assets under management



(1) Indicates growth from 2006 to 2007.

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“Our research shows institutional investors want access to sophisticated and flexible investment options which can be selected to match their individual strategies.”

John O'Connor, Managing Director,  
Goodman Property Investors

# established+ innovative

Goodman  
Property Investors

GPI is a well established business that became part of Goodman Group following the acquisition of Arlington. Headquartered in the United Kingdom and with international coverage, it manages diversified property portfolios for leading pension funds, financial institutions and other groups. It also provides pooled fund and multi-manager property investment products for clients worldwide. GPI is an active asset manager with dedicated people, global scale, detailed local knowledge and a sharp investment focus.

+ During 2007, GPI achieved a 21% growth in funds under management to \$14.9 billion.

+ GPI delivered an average total return of 18.8% for its clients.

+ GPI was named UK Property Manager of the Year at the Financial Times Business Pension and Investment Provider Awards.

## Case study: GPI Fund of Funds

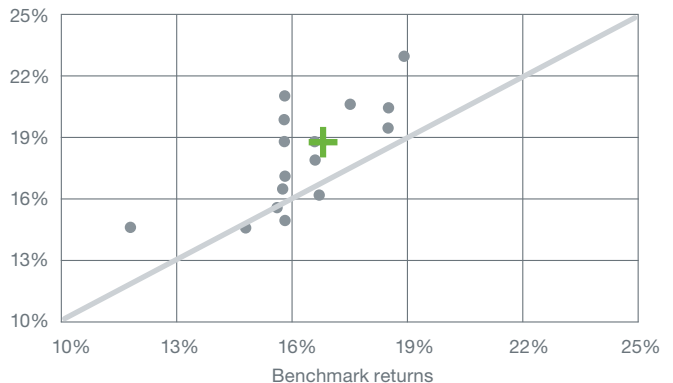
GPI continued its history of innovation with the launch of the Fund of Funds in July 2006.

The new structure is unique in offering institutional investors the flexibility to invest in distinct sub-funds such as the UK Fund and the Eurozone Fund. This gives smaller investors access to a portfolio of investments, selected from the full spectrum of property funds in the marketplace by Goodman's specialist multi-manager team.

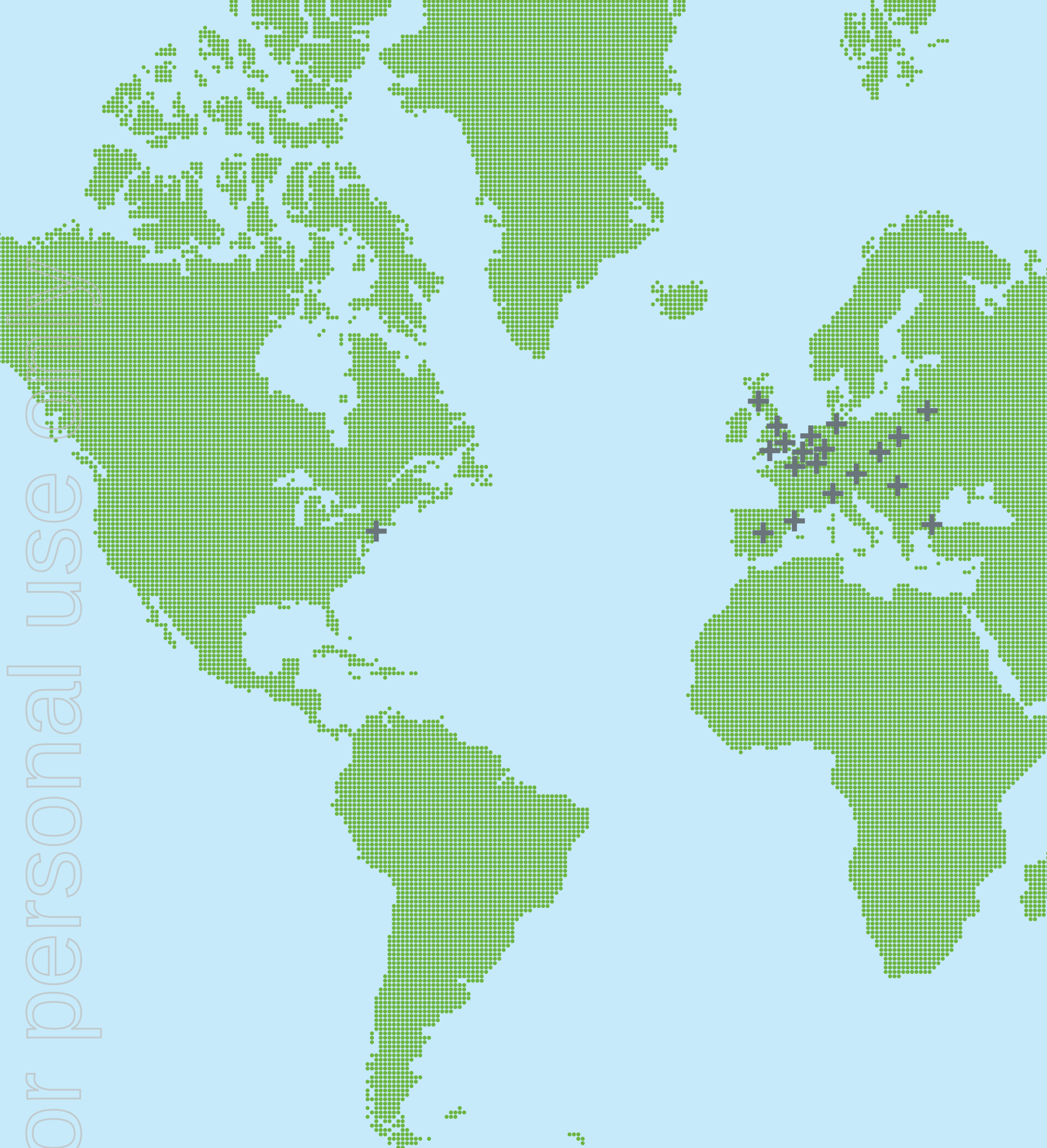
The first sub-fund to be launched was the Eurozone Fund, raising €200 million of a targeted €300 million within 11 months. The Fund drew many new clients, including a €10 million commitment from the prestigious Members of the European Parliament Pension Fund.

## GPI performance versus benchmark

GPI client return



+ Weighted average



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**\$36.9 billion**

assets under management

## Office locations

Adelaide  
Amsterdam  
Auckland  
Barcelona  
Birmingham  
Brisbane  
Brussels  
Budapest  
Christchurch  
Eindhoven  
Glasgow  
Hamburg  
Hong Kong  
Istanbul  
Langenfeld  
London  
Luxembourg  
Madrid  
Melbourne  
Milan  
Munich  
Nagoya  
New York<sup>(1)</sup>  
Osaka  
Paris  
Perth  
Prague  
Reading  
Shanghai  
Singapore  
Sydney  
Tokyo  
Warsaw

|                                                                        | Asia Pacific       | Europe  | Total                |
|------------------------------------------------------------------------|--------------------|---------|----------------------|
| Total assets under management                                          | \$12.0b            | \$24.9b | \$36.9b              |
| Number of funds                                                        | 6                  | 35      | 41                   |
| Number of investors in business space focused funds <sup>(2),(3)</sup> | 741                | 35      | 776                  |
| Number of business space properties                                    | 294                | 440     | 734                  |
| Customers                                                              | 1,632              | 1,186   | 2,613 <sup>(4)</sup> |
| People                                                                 | 766 <sup>(5)</sup> | 477     | 1,243                |

(1) Representative office only. (2) For listed funds only includes number of beneficial investors with more than 50,000 units. (3) Goodman Property Trust as at 22 May 2007.

(4) This figure is the total number of Goodman customers globally. Customers with a presence in Europe and Asia-Pacific are counted in the figure of each region.

(5) This includes employees of Ascendas MGM JV (in which GMG holds a 40% interest) and employees of J-Rep (Japan MGA, a JV between Goodman Group and Macquarie Bank, which holds a 53% interest).

## Group executives



**Gregory Goodman**  
**Group Chief Executive Officer**

Gregory is responsible for Goodman's overall operations and the implementation of the strategic plan.

He has 25 years of experience in the property industry with significant expertise in the industrial property arena. Gregory was a co-founder of Goodman Group and has played an integral role in establishing its specialist position in the marketplace through various corporate transactions, including takeovers, mergers and acquisitions.

He is a director of Ascendas-MGM Funds Management Limited, Goodman New Zealand Limited, Macquarie Goodman Hong Kong Logistics Fund and J-REP.



**David van Aanholt**  
**Chief Executive Officer, Asia Pacific**

David has been with the Group since 1998 and works closely with the Group Chief Executive Officer and the Board on the strategic direction of the business.

He has over 18 years of experience in the property industry including valuation, asset management, development management and funds management.

David has complete responsibility for the Group's Asia Pacific operations, including the Group's direct investment, funds management and development platforms. David has played a key role in Goodman's alliances with Ascendas in Singapore and J-REP in Japan.



**Michael O'Sullivan**  
**Executive Director, Europe**

Michael has enjoyed a highly successful career in property and financial services.

He joined Goodman in 2002 as Managing Director, Corporate Transactions. Now based in London, Michael is responsible for all of the the Group's European and UK operations, including logistics, business parks and Goodman Property Investors.

Michael gained extensive experience of corporate, property and financial transactions, initially as a financial accountant at Woolworths, and later in audit and transaction services with KPMG.



**Anthony Rozic**  
**Group Chief Financial Officer**

Anthony's responsibilities for the Group include financial control, management reporting and budgeting, financial planning, tax management, capital and financial risk management and information technology. He joined Goodman in 2004.

Anthony is a qualified Chartered Accountant and has held a number of senior finance roles in the property industry and prior to that in the Chartered Accountancy profession.



**Nick Kurtis**  
**Group Head of Funds Management**

Nick is responsible for the co-ordination and performance of the Group's funds management platform. He joined Goodman in 2000 and has held a number of senior positions within funds management and corporate services.

Nick has 14 years of experience in the property funds management industry and holds an undergraduate degree in Real Estate and a Masters in Finance from the University of Technology, Sydney.

## Regional executives



**John Dakin**

**Chief Executive Officer,  
New Zealand**

John is responsible for the overall management and operations of Goodman in New Zealand. John joined the Group in 2004 and has 19 years experience in the property industry, including experience in valuation, research, asset management, funds management and acquisitions and has held senior roles in the United Kingdom, Australia and New Zealand.

He is a former national director of the Property Council of New Zealand and prior to joining Goodman he was with Colonial First State Property.

John holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment (Australian Securities Institute) and is a Fellow of the Financials Services Institute of Australasia.



**Jeff Pulsford**

**Chief Executive Officer,  
European Business  
Parks and Funds**

Jeff has full executive responsibility for Goodman's business parks and fund management in Europe.

Jeff joined Goodman (then Arlington) in 1996. He was an Arlington executive for nearly 10 years, where he managed development, property services and finance functions before being appointed Chief Executive Officer in September 2006.

Before joining Arlington, Jeff worked in a variety of financial roles for BAE Systems in the UK and the US. He has extensive experience in the property sector and is a qualified accountant and treasurer.



**Danny Peeters**

**Chief Executive Officer,  
European Logistics**

Danny is responsible for the development of Goodman's logistics property business in Europe.

Danny joined Goodman (then Eurinpro) in 2000 as Chief Operating Officer. In this position he was involved in the global expansion and business development of the organisation. Previously, he was Business Development Manager at NYK Logistics.

He holds an engineering degree from the Catholic University of Leuven (Belgium) and has attended several advanced management programs at INSEAD and Harvard Business School.



**Daniel McDonald**

**Managing Director,  
Hong Kong**

Daniel is responsible for the ongoing management of the Hong Kong operation and for the strategic planning and business direction in Hong Kong. He joined the Group in 2005.

Daniel has over 15 years of experience in the property industry with significant expertise in the industrial sector in Australia and Asia. Daniel came to Goodman Asia from CB Richard Ellis where he was the Executive Director of Industrial and Logistics Services Asia and Managing Director in Shanghai.

Daniel is a member of the Australian Chamber of Commerce Hong Kong and Hong Kong Chamber of Commerce.



**Philip Pearce**

**Managing Director,  
China**

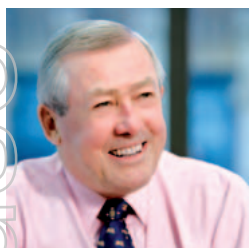
Philip is responsible for the strategic development and continued expansion of the Group's industrial investment business throughout China.

Philip joined the Group in 2003 and has over 10 years of experience in real estate investment trusts in the Asia Pacific region, including four years in Singapore with A-REIT. He was responsible for the full spectrum of property operations, including capital transactions, development and asset management.

Prior to joining Goodman, Philip was at AMP Henderson Global Investors in Sydney where he worked in various roles within the AMP Henderson Property Group including Valuation, Asset Management and Funds Management.

# directors+

## Board of Directors and Company Secretary



**Mr David S. Clarke, AO**  
**Chairman**  
Appt. 26 October 2000

David has been Chairman of Macquarie Bank Limited since 1 April 2007. He was previously Executive Chairman of Macquarie Bank from its formation in 1985 until 31 March 2007. He is also Chairman of McGuigan Simeon Wines Limited, Poole's Rock Wines Pty Ltd, the Wine Committee of the Royal Agricultural Society of New South Wales, the Opera Australia Capital Fund, the Sydney University Football Club Foundation and the George Gregan Foundation. He is a member of the Investment Advisory Committee of the Australian Olympic Foundation, the Harvard Business School Asia Advisory Board, the Seoul International Business Advisory Council and the Bloomberg Asia Pacific Advisory Committee. He is also a member of Council of the Royal Agricultural Society of NSW and an honorary life member of the Financial Markets Foundation for Children.



**Dr David Teplitzky**  
**Independent Deputy Chairman**  
Appt. 21 November 1990

David has a PhD and an honours degree in Engineering and a Bachelor of Science. He is a retired Regional Director of American Cyanamid Company and the former Managing Director of Cyanamid Australia, Formica Australia Limited and Lederle Pharmaceuticals Limited. He is Chairman of the Board of a US-based computer memory research company, Symetrix Corporation and a director of the listed company, HiTec Energy Limited. David has been active for many years in venture capital and high technology companies in Australia and South East Asia as a consultant and director.



**Mr Gregory Goodman**  
**Chief Executive Officer**  
Appt. 7 August 1998

Gregory is the Group Chief Executive Officer of Goodman Group and is responsible for its overall operations and the implementation of the strategic plan.

He has 25 years of experience in the property industry with significant expertise in the industrial property arena. Gregory was a co-founder of Goodman Group and has played an integral role in establishing its specialist position in the marketplace through various corporate transactions, including takeovers, mergers and acquisitions.

He is a director of Ascendas-MGM Funds Management Limited, Goodman New Zealand Limited, Macquarie Goodman Hong Kong Logistics Fund and J-REP.



**Mr Ian Ferrier, AM**  
**Independent Director**  
Appt. 1 September 2003

Ian is a co-founder of Ferrier Hodgson. He is a Fellow of The Institute of Chartered Accountants in Australia and has 42 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of InvoCare Limited, Australian Oil Limited and EnergyOne Limited and a director of McGuigan Simeon Wines Limited and Reckon Limited.

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



**Mr Patrick Goodman**  
**Non-Executive Director**  
Appt. 14 April 1998

Patrick is the Managing Director of the Goodman Holdings Group, which is a major investor in the Goodman Group. The diversified interests of the Goodman Holdings Group initially focused on direct and indirect property development and have expanded to include the management of a diverse portfolio across sectors covering aviation, food, rural, private and listed equity, infrastructure and financial services globally.

Patrick is also a director of companies involved in information technology, property investment and management both in Australasia and the United States.

During his 27 year career, Patrick has had considerable public and private company experience both domestically and internationally.



**Mr John Harkness**  
**Independent Director**  
 Appt. 23 February 2005

John is a Fellow of The Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years.

Since retiring from KPMG in June 2000, John has held a number of non-executive director roles. He is currently Chairman of Lipa Pharmaceuticals Limited, ICA Property Development Funds, Helmsman Capital Fund and Sydney Foundation for Medical Research.

John is a director of the management company of Macquarie CountryWide Trust and Crane Group Limited. John is President of Northern Suburbs Rugby Football Club Limited and a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army.



**Mr James Hodgkinson**  
**Non-Executive Director**  
 Appt. 21 February 2003

James is an Executive Director of Macquarie Bank Limited and Co-Head of Macquarie Bank Group's Real Estate Capital Division. His responsibilities include Macquarie Bank's interest in the Macquarie Goodman Asia Joint Venture. He is a director of Ascendas-MGM Funds Management Limited, Goodman New Zealand Limited, Macquarie Goodman Hong Kong Logistics Fund and J-REP.

He has a Bachelor of Economics, is a Certified Practising Accountant and is a Fellow of the Australian Property Institute. James has over 20 years of experience in property funds management, investment banking and chartered accounting.



**Ms Anne Keating**  
**Independent Director**  
 Appt. 23 February 2005

Anne is a professional director and holds board positions in a range of industries including advertising, banking, construction and property. She is on the boards of the management companies of Macquarie Leisure Trust Group, and a director of STW Communications Group Limited and Spencer Street Station Redevelopment Holdings Limited.

Anne is also a member of the Advisory Council of ABN AMRO Australia and New Zealand and Governor of the Cerebral Palsy Foundation. Anne was the General Manager, Australia for United Airlines from 1993 to 2001. She was previously a director of Insurance Australia Group Limited and, prior to the demutualisation of NRMA, a director of NRMA Insurance Limited for four years.



**Mr James Sloman, OAM**  
**Independent Director**  
 Appt. 1 February 2006

James has over 30 years of experience in the building and construction industries in Australia and overseas, including experience with Sir Robert McAlpine & Sons in London and Lend Lease Corporation in Australia and as Deputy Chief Executive and Chief Operating Officer of the Sydney Organising Committee for the Olympic Games (SOCOG) from 1997 to 2001.

He is currently the Chief Executive Officer and a director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. MI Associates is working as advisors to the organisers of the London Olympic Games following its work on London's winning bid for the 2012 Olympic Games. With his range of experience, James brings significant expertise to Goodman Group.



**Mr Carl Bicego**  
**Company Secretary**

Carl is the Company Secretary of the Goodman Group and its Australian subsidiaries as well as Legal Counsel – Head of Corporate in Australia.

Carl has 10 years of legal experience in corporate law and joined Goodman Group from law firm Allens Arthur Robinson in 2006.

Carl holds a Masters of Laws and Bachelor of Economics/ Bachelor of Laws (Hons). He is an affiliate of Chartered Secretaries Australia.

# corporate governance+

**Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Goodman Group are set and achieved, how risk is monitored and assessed and how performance is optimised.**

The Group recognises that an effective corporate governance culture is critical to success. We have designed and implemented a substantial range of governance initiatives, described in detail below, and we believe that our corporate governance systems are robust and effective. At all times, we strive to achieve governance outcomes which balance the needs of the Group, its stakeholders, regulators and the market.

The Corporate Governance Statement below outlines the ways in which the Group has met the Australian Stock Exchange ("ASX") Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. Any departures to implementation of the ASX Corporate Governance Council Recommendations are described in the statement.

## The Board

The Group is the combined entity produced by the stapling in February 2005 of Goodman International Limited ("GIL") and Goodman Industrial Trust (the "Trust"). The Boards of GIL and Goodman Funds Management Limited ("GFM"), as the Responsible Entity for the Trust, meet jointly as the Board of the Group.

As a result of the merger, both Boards comprise the same Directors. The Board is comprised of a majority of Independent Directors and is chaired by Mr David Clarke.

The Directors bring a wide range of skills and experience to the task. This diversity strengthens the Board and enables it to bring critical judgement and independent assessment to the oversight of the Group's business.

The Board is responsible for all aspects of the management of the Group and has ultimate responsibility for its corporate governance practices. The Board plays an integral role in ensuring the safe

stewardship of the Group. Over the past year, the Group has engaged in a number of significant corporate transactions and the input of the Board on these matters has been highly valued.

The Board has adopted a charter that is focused on giving direction and the exercise of critical but independent judgement in setting the Group's objectives and oversight of their implementation. A copy of the charter is published on the Group's website.

The Board's functions include:

- (a) appointing the Group's Chief Executive Officer;
- (b) setting strategic direction;
- (c) reviewing progress on strategy;
- (d) developing key policies which impact on the Group;
- (e) approving strategic alliances;
- (f) monitoring organisational performance against set targets;
- (g) ensuring compliance with statutory, financial and social responsibilities; and
- (h) ensuring business risks are appropriately identified and managed.

Directors are provided with comprehensive Board papers in advance of meetings to enable full and informed participation in Board meetings.

The Board monitors management's performance on behalf of Securityholders and is engaged with management to ensure the appropriate development and execution of the Group's strategy. The Board has developed a statement of delegated authority to management. This delegated authority stipulates which matters are dealt with by the Board and which matters are within the authority of management. It includes areas such as finance, corporate matters and property transactions. The statement also identifies the financial limits which relate to each level of authority and the relevant authority holder.

The composition of the Board as at 30 June 2007 is shown below. Please refer to page 34 in the Directors' Report for details of each Director's attendance at Board and Committee meetings during the year.

### Independent Decision-Making

The Board has adopted policies which require the independence of Directors to be assessed annually and that Directors inform the Chairman prior to accepting any other board appointments offered to them. Directors are required to confirm their ability to adequately perform their role on an annual basis. The Group is an increasingly complex entity with a sophisticated Board. The Directors bring independent thinking

| Name                                   | Description                   | Independent |    |
|----------------------------------------|-------------------------------|-------------|----|
|                                        |                               | Yes         | No |
| Mr David Clarke <sup>(1)</sup>         | Chairman                      |             | +  |
| Dr David Teplizky <sup>(2)</sup>       | Independent Deputy Chairman   | +           |    |
| Mr Gregory Goodman                     | Group Chief Executive Officer |             | +  |
| Mr Ian Ferrier                         | Independent Director          | +           |    |
| Mr Patrick Goodman                     | Non-Executive Director        |             | +  |
| Mr John Harkness <sup>(3)</sup>        | Independent Director          | +           |    |
| Mr James Hodgkinson <sup>(1),(4)</sup> | Non-Executive Director        |             | +  |
| Ms Anne Keating                        | Independent Director          | +           |    |
| Mr James Sloman                        | Independent Director          | +           |    |

(1) Mr Stephen Girdis is an Alternate Director for Messrs David Clarke and James Hodgkinson. Mr Girdis is a Non-Executive Director

(2) Dr David Teplizky was appointed to the Board of Triden Limited in 1990. Triden Pty Ltd subsequently changed its name to Macquarie Goodman Management Limited and then, more recently, Goodman International Limited. Dr Teplizky has only worked with the current management team of the Group since 1998.

(3) Mr John Harkness was previously a partner of KPMG until June 2000. Mr Harkness was a partner of KPMG whilst it was engaged to conduct the audit of the Group's entities, however, he was not involved in those audits.

(4) Mr James Hodgkinson was appointed as Alternate Director to Mr David Clarke on 21 February 2003. He was appointed a Director on 14 June 2005.

and judgement to the Board, which is focused on adding value to the Group.

The Independent Directors may elect to consider matters without the presence of executives or the non-independent Directors where they believe this would bring additional transparency to the Group's corporate governance.

#### Criteria for Assessing Independence

The Board has assessed individual Directors for independence using the definition of independence provided in the ASX Corporate Governance Guidelines.

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

Goodman Group has a joint venture with Macquarie Bank Limited known as Macquarie Goodman Asia which has investments in Hong Kong, China and Japan. Mr David Clarke is the Non-Executive Chairman of Macquarie Bank Limited and Mr James Hodgkinson is an Executive Director and Co-head of Macquarie Bank Limited's Real Estate Capital Division. Noting that joint venture relationship, neither Mr Clarke nor Mr Hodgkinson is considered to be "independent" for the purposes of the ASX Corporate Governance Council Guidelines.

Mr Patrick Goodman is the Managing Director of the Goodman Holdings Group and having regard to its holding in the Goodman Group, is also considered to not be "independent". Mr Gregory Goodman is an Executive Director.

The Directors consider the other Board members to be independent.

#### Chairman

Mr David Clarke was appointed as a Non-Executive Director and the Chairman of the Board in October 2000.

Mr David Clarke brings extensive experience and in-depth knowledge to the role of Chairman as well as skills and experience in the fields of finance, corporate advisory and accounting.

Mr Clarke's experience and skills are invaluable and the Group does not believe that the introduction of an independent Chairman would adequately compensate it for the loss of Mr Clarke's valuable contributions as Chairman. The Group has adopted a number of practices to further strengthen corporate governance. Such measures include the separation of the roles of Chairman and Group Chief Executive Officer, the delegation of some Board functions to committees in which the Chairman does not participate, and having a majority of Independent Directors on the Board.

The Chairman's role as leader of the Board includes ensuring that the Board functions as an effective and cohesive group as well as working with the Group Chief Executive Officer to determine the strategic direction for the Group. The Chairman establishes high standards of corporate governance together with taking an indispensable role in strategic development and leadership. The role also includes formulation of the Board meeting agendas and papers and management of Board meetings to ensure the best performance of each participant. The Chairman acts as a representative of, and spokesperson for, the Board.

#### Group Chief Executive Officer

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

## Committees

Effective risk management is a fundamental part of the Group's business strategy and is central to protecting Securityholders' interests. The Group operates within overall guidelines and specific parameters set by the Board. The Board has established a number of committees to assist in the exercise of its functions and duties and to ensure that all risks are monitored. A summary of the work of the committees is set out below:

#### Audit Committee

The Audit Committee operates under a formal charter, a copy of which is published on the Group's website. The purpose of the Audit Committee is to assist the Board to fulfil its legal and corporate governance responsibilities in relation to:

- (a) financial reporting principles and policies, controls and procedures;
- (b) integrity of the Group's financial statements, independent external audit and the Group's compliance with legal and regulatory requirements relating to financial statements;
- (c) audit functions and committees of any entity within the Group; and
- (d) due diligence and prudential supervision procedures required by regulatory bodies.

The Committee may consider any matter which falls within the roles and responsibilities delegated to it by the Board, notwithstanding that the particular matter(s) may have been previously referred to and considered by another Board committee. For example, the Audit Committee also has, as part of its charter, a formal role in the oversight of risk management practices within the Group, with an emphasis on financial risk management.

Subject to any resolution of the Board, the Committee has the power delegated by the Board to undertake all things necessary to perform its duties and fulfil its purpose including:

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

Senior members of management are invited to attend Committee meetings and to present to the Committee on key issues.

## Corporate governance (continued)

Committee members regularly meet with management, independently of Committee meetings, to further discuss issues relevant to the work of the Committee.

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

The Group has engaged KPMG to act as its auditor. As part of the terms of engagement, KPMG is required to attend the Annual General Meeting and be available to answer questions from Securityholders about the conduct of the audit and the preparation and content of the independent audit report.

In addition, the Group has outsourced its internal audit function in Australia to BDO, an external third party service provider.

The internal audit function involves a rolling program of reviews and control testing of the Group's business processes. The internal audit program is closely aligned to the risk management framework. The internal audit function is wholly independent of the external audit function. The findings of the internal auditor are reported to both the Audit and Risk and Compliance Committees. Management responds to the recommendations of the internal auditor with improved processes wherever necessary.

The Audit Committee reviews the scope of the engagement arrangements for the internal auditor and recommends to the Board that the auditor's proposed fee and program be adopted, where appropriate.

The Audit Committee has unlimited access to the senior executives, external auditors and internal auditors.

As at 30 June 2007, the Audit Committee is chaired by Mr Ian Ferrier. Mr Ferrier is a Chartered Accountant with significant financial expertise. The other members of the Committee are Dr David Teplitzky and Mr James Hodgkinson. Dr Teplitzky is an experienced director who has an intimate knowledge of the Group's business. Mr Hodgkinson is a senior executive at Macquarie Bank Limited and has significant experience in the listed property trust sector. All three members of the Committee are non-executive and the majority of the members are Independent Directors.

Please refer to page 34 in the Directors' Report for details of the Committee members' attendance at meetings during the year.

### Risk and Compliance Committee

The Risk and Compliance Committee operates under a formal charter which is available on the Group's website. The purpose of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to:

- (a) internal risk management systems;
- (b) business continuity planning and support processes;
- (c) external compliance audit functions;
- (d) internal compliance systems; and
- (e) insurance requirements.

The Risk and Compliance Committee is chaired by an Independent Director, Mr John Harkness, and is comprised of a majority of Independent Directors.

The Board has adopted a Risk Management Policy on the oversight and management of risk for the Group. The Policy outlines the risk management framework elements which include roles and responsibilities, governance, risk and control assessment, incident management, change management, business continuity planning, internal audit, compliance and insurance. The Policy is supported by a set of procedures that detail the risk work flow processes for the Group.

The Risk and Compliance Committee also oversees the work of several key internal management committees dealing with risk issues. These management committees have been established in order to facilitate a high level review and management of issues in these key areas together with ensuring that corporate memory is maintained. The committees are the:

- (a) Environmental Committee;
- (b) Information Technology Steering Committee; and
- (c) Occupational Health and Safety ("OH&S") Committee.

As the Group expands its operations internationally, the role of the Risk and Compliance Committee has also been expanded to address the changing nature and extent of the risks facing the Group. Offshore business units are required, through their Regional Operating Committees, to provide a quarterly sign-off to the Risk and Compliance Committee,

attesting that risk management issues have been identified and assessed and are being appropriately managed in accordance with the Risk Management Policy and supporting procedures.

Senior members of management are invited to attend Committee meetings and to present to the Committee on key issues. Committee members regularly meet with management, independently of Committee meetings, to further discuss issues relevant to the work of the Committee. External experts and third party service providers are also invited to attend the Committee meetings to provide the Committee with further information and understanding of the way in which the Group manages its risk and compliance obligations.

Mr Andrew Wearne is the Group Risk Manager. The Group Risk Manager is responsible for the risk management framework globally. A core component of the framework is risk profiling, which involves the process of identification, assessment and management of risk for the Group. All critical business units are involved in the risk profiling process. The results of the risk profiles are updated, consolidated and reported to the Risk and Compliance Committee each quarter.

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

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates under a formal charter, a copy of which is published on the Group's website. The Remuneration and Nomination Committee assists the Board to consider remuneration issues more efficiently and fully and to provide recommendations on remuneration issues to the Board for approval.

The purpose of the Committee is to:

- (a) identify and recommend individuals to the Board for nomination as members of the Board and its committees;
- (b) ensure performance of members of the Board is reviewed;
- (c) develop and recommend to the Board relevant corporate governance principles;

- (d) ensure an appropriate Board and committee structure is in place so that the Board can perform a proper review function;
- (e) review and make recommendations to the Board in respect of the administration of the Group's remuneration programs;
- (f) review and make recommendations to the Board in respect of the approval and remuneration of senior executive officers and Non-Executive Directors;
- (g) prepare for approval by the Board any report on executive remuneration that may be required by any listing rule, legislation, regulatory body or other regulatory requirements or proposed for inclusion in any annual report; and
- (h) report regularly to the Board on each of the above matters.

The Committee is required to assess the necessary and desirable competencies of Board members, develop and review the Board succession plan and recommend the appointment and removal of Directors.

The Committee is chaired by Mr David Clarke and is comprised of a majority of Independent Directors. Although not an Independent Director, Mr Clarke brings significant expertise and understanding of the market to the deliberations of the Committee and the Group believes that his contribution is invaluable.

#### Remuneration

The Group follows the principles of remuneration which are set out in the ASX Corporate Governance Council Recommendations. These include a policy of rewarding staff with a mixture of fixed, performance linked and equity based remuneration. Further information in relation to the Remuneration policies of the Group is set out in the Remuneration Report on pages 38 to 41 in the Directors' Report.

#### Annual disclosure

The salary and/or fees of each Director and of each of the five highest paid officers of the Group are disclosed on pages 42 and 43 in the Directors' Report.

#### Investment Committee

During the year the Board established an Investment Committee to review, consider and, if appropriate, approve the global activities of the Group that fall within its mandate as set out in the Schedule of Board and Management Delegations. Specifically, the Investment Committee has authority to:

- (a) review, consider and, if appropriate, approve any transactions falling within its mandate as set out in the Schedule of Board and Management Delegations;
- (b) make recommendations to the Board regarding transactions;
- (c) perform other functions as may be delegated from the Board or under the Schedule of Board and Management Delegations from time to time; and
- (d) sub-delegate its powers and discretions to executives of the Group, with or without the power to delegate further.

The Investment Committee consists of at least three Directors and is chaired by Mr James Sloman.

#### Performance review

The Board reviews its performance and that of its committees every two years. The Board considers this is an appropriate timeframe having regard to the time taken in the review process, the frequency of Board meetings and the level of change in the Board over time. An assessment of the performance of each of the Boards of GIL and GFM was conducted during the year ended 30 June 2006. The process for conducting this review consists of each Director completing a self-assessment questionnaire, which also elicits comments and key issues the Director wishes to raise at that time. The Chairman meets with each Director individually to discuss their Board participation. The questionnaires completed by the Directors cover the following matters:

- (a) Board contribution to developing strategy and policy;
- (b) interaction between the Board and management;
- (c) Board processes to monitor business performance and compliance, control risk and evaluate management;
- (d) Board composition and structure; and
- (e) operation of the Board including the conduct of Board and committee meetings.

The next formal review is scheduled to occur prior to 30 June 2008.

#### Directors' obligations and rights

The Group uses formal letters of appointment for Directors in order to ensure that the Directors clearly understand the Group's expectations of them. Each letter outlines the terms of the Director's appointment and includes matters such as their powers and duties, attendance at meetings, remuneration, Board committees, induction and continuing education, disclosure of interests and circumstances where their office becomes vacant. Please refer to pages 50 to 52 in the Directors' Report for the skills and experience of each of the Directors.

In respect of tenure, Non-Executive Directors are subject to re-election by rotation at least every three years and new Directors appointed to the Board are required to seek election at the first Annual General Meeting of Securityholders following their appointment. Together with letters of appointment, all new Directors are provided with a substantial information pack regarding the operations of the Group, including key Group policies and guidelines, constitutions for GIL, GFM and the principal trusts, and the relevant compliance plans.

The Group has clarified the standards of ethical behaviour expected of Directors, key executives and employees and requires the observance of those standards.

The Group requires Directors to hold securities with a value equivalent to twice their annual fee and applies 25% of Director's after tax remuneration to acquisition of securities until that value of securities is held. The rate at which securities are acquired will be affected by any trading blackouts in the period following their appointment.

The Group has a formal policy allowing Directors to take independent legal advice at the Group's expense should they believe it necessary for the adequate performance of their role.

The Company Secretary and senior executives are always available to the Directors to provide them with information or clarification as required. These senior executives also present information at Board meetings in order to provide the Directors with unfettered access to all relevant information and the ability to

## Corporate governance (continued)

candidly question senior management in relation to any matter they deem necessary.

Directors are provided with tours of the properties of the Group, both within Australia and overseas. Tours are also often conducted prior to the completion of key acquisitions.

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

### Executive confirmations

The Group Chief Executive Officer and the Group Chief Financial Officer are required to confirm to the Board in writing that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

The Group Chief Executive Officer and the Group Chief Financial Officer have also provided the Board with written confirmation that, to the best of their knowledge and belief:

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

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

### Company Secretary

The Company Secretary of the Group is Mr Carl Bicego. His biographical details appear on page 52 in the Directors' Report.

## Policies and Codes

The Group has established a number of core policies and codes of conduct that govern the behaviour of the Directors and employees and which are summarised below:

### Corporate social responsibility

The Group has adopted a Corporate Social Responsibility Policy which has regard to its Customer Service Model of "own+develop+manage". The Policy includes a commitment to a sustainable approach to our environment, as well as proper consideration for our social and economic responsibilities to the wider community. This commitment is reflected in our approach to both the workplace and the marketplace.

### Securities trading

The Group issued the Securities Trading Policy to raise awareness about the insider trading provisions in the Corporations Act 2001 and to strengthen those requirements with additional compliance standards and procedures for Directors and employees who wish to trade in the Group's securities. The Policy prohibits Directors and employees from trading when in possession of inside information and also prohibits the communication of that inside information to any other person who is likely to purchase or sell the Group's securities or who is likely to procure a third party to purchase or sell the Group's securities. The Policy is provided to Directors on their appointment and employees on their commencement.

Reminder emails on the Policy are forwarded to all employees whenever the Group goes into trading blackout.

### Conflicts of interest

The Group has put in place arrangements to identify, assess, manage and report on the types of conflicts of interest which it anticipates will affect or arise from its business. These arrangements include mechanisms to:

- (a) identify conflicts of interest;
- (b) manage conflicts of interest by assessing and evaluating actual or potential conflicts and decide upon and implement an appropriate response to those matters; and

- (c) maintain written records which demonstrate how the Group manages conflicts which occur. Directors, consultants and employees are required to comply with the Conflicts of Interest Policy.

### Gifts

All Directors and employees are prohibited from accepting payment or any other benefits in money or in kind from third parties as an inducement or reward for any act or in connection with any matter or business transaction undertaken by or on behalf of the Group. All Directors and employees must exercise extreme care when giving or receiving business related gifts and are requested to disclose any business related gifts. Whether a gift may be accepted or given will depend upon a number of factors including:

- (a) the monetary value of the gift;
- (b) the circumstances surrounding the giving or receiving of the gift; and
- (c) whether the gift could be perceived as being unreasonable, excessive or imposing a right on the giver or an obligation on the recipient.

### Related parties

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

### Dealing with public officials

The Group is committed to conducting all of its business in accordance with all applicable laws and regulations and in a way which will maintain and enhance its reputation in the market. One aspect of this commitment is that the Group always behaves in a professional, honest and responsible manner and avoids any conduct which may be considered to be corrupt or contrary to good corporate ethics.

The Group prohibits any activity that seeks to bribe, corrupt or otherwise improperly influence a public official in any country to act (or omit to act) in a way that differs from that official's proper duties, obligations and standards of conduct.

### Code of Conduct

The Code of Conduct outlines the ethical standards and personal conduct expected of all Directors, committee members and employees and makes compliance with these standards a condition of appointment and ongoing employment. Expectations regarding the treatment of confidential information and adherence to trading blackouts are made explicit. The Code expressly states that employees must not breach the insider trading rules set out in the Corporations Act 2001. The Code also charges all employees with responsibility for reporting unethical or corrupt conduct. The Code is provided to Directors upon appointment and all employees upon commencement.

### Employee Handbook

The Handbook is a guide for employees about their obligations and entitlements as employees of the Group. The rules and policies in the Handbook apply to all employees in Australia and overseas and form part of each employee's employment contract. The Handbook covers matters such as diversity, remuneration, insurance, presentation, leave, performance management, grievance handling, substance abuse, internet/email usage and disciplinary proceedings. The Handbook is regularly reviewed and updated by the General Manager, People and Services.

### OH&S Manual

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

Each of the documents above, other than the Employee Handbook, are available to Securityholders on the Group's website. The Employee Handbook is available to all employees through the Group's intranet.

## Securityholders and market participants

### Timely and balanced disclosure

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

The Group has developed and implemented a Continuous Disclosure Policy that outlines the procedures followed internally to ensure timely and full disclosure of material through the ASX. Compliance with the Policy is monitored regularly through internal compliance audits.

The Policy is also monitored through external compliance audits. Information on continuous disclosure is provided to all employees on commencement of employment.

Any enquiries regarding the continuous disclosure requirements are directed to the Group Chief Executive Officer and Company Secretary in the first instance. ASX announcements are co-ordinated by the Legal and Investor Relations Departments. The Group also relies on the input and sign-off of key employees in each department to which the ASX announcement relates. The Group's website contains ASX and media releases, newsletters and annual reports.

### Securityholders

The Group has implemented a number of processes in order to facilitate the effective and efficient exercise of the rights of all Securityholders. The Group communicates information to Securityholders through a range of media, including annual reports, newsletters, general communications and ASX announcements. Key financial information and stock performance are also available on the Group's website. Securityholders can raise questions by contacting the Group by telephone, facsimile, email or post. Contact details are provided on the Group's website and at the back of this Annual Report.

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

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

### Complaints handling

The Group has both internal and external complaints handling procedures. Internal procedures are described in the Employee Handbook which is available to all employees through the Group's intranet. The Investor Relations Department responds to Securityholder enquiries and complaints and provides a thorough and transparent communications service to Securityholders. GFM is also a member of the Financial Industry Complaints Service, an external industry complaints handling service.

# Financial Report

## Goodman International Limited (formerly Macquarie Goodman Management Limited) and its controlled entities Financial Report for the year ended 30 June 2007

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# Directors' Report

## Goodman International Limited (formerly Macquarie Goodman Management Limited) and its controlled entities

The Directors of Goodman International Limited (formerly Macquarie Goodman Management Limited) ("Company" or "Parent Entity") present their Directors' Report together with the Financial Report of the Consolidated Entity consisting of the Company and the entities it controlled ("Goodman" or "Consolidated Entity") at the end of, or during, the year ended 30 June 2007 ("year") and the audit report thereon.

### Directors

The Directors of the Company at any time during or since the end of the year are:

#### Appointment date

|                                                                                     |                  |
|-------------------------------------------------------------------------------------|------------------|
| Mr David S. Clarke, AO (Chairman)                                                   | 26 October 2000  |
| Dr David Teplitzky (Independent Deputy Chairman)                                    | 21 November 1990 |
| Mr Gregory Goodman (Group Chief Executive Officer)                                  | 7 August 1998    |
| Mr Ian Ferrier, AM (Independent Director)                                           | 1 September 2003 |
| Mr Patrick Goodman (Non-Executive Director)                                         | 14 April 1998    |
| Mr John Harkness (Independent Director)                                             | 23 February 2005 |
| Mr James Hodgkinson (Non-Executive Director)                                        | 21 February 2003 |
| Ms Anne Keating (Independent Director)                                              | 23 February 2005 |
| Mr James Sloman, OAM (Independent Director)                                         | 1 February 2006  |
| Mr Stephen Girdis (Alternate Director for Messrs David Clarke and James Hodgkinson) | 21 February 2003 |

### Company Secretary

The Company Secretaries at any time during or since the end of the year are:

#### Appointment/resignation date

|                   |                           |
|-------------------|---------------------------|
| Mr Carl Bicego    | Appointed 24 October 2006 |
| Ms Carolyn Scobie | Resigned 24 October 2006  |
| Mr Mark Alley     | Resigned 12 October 2006  |

Details of the Company Secretary's qualifications and experience are set out at the end of this Directors' Report.

# Directors' Report (continued)

## Directors' meetings

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

| Director                      | Board meetings      |          | Audit Committee meetings |          | Remuneration and Nomination Committee meetings |          | Risk and Compliance Committee meetings |          | Investment Committee meetings <sup>(2)</sup> |          |
|-------------------------------|---------------------|----------|--------------------------|----------|------------------------------------------------|----------|----------------------------------------|----------|----------------------------------------------|----------|
|                               | Held <sup>(1)</sup> | Attended | Held <sup>(1)</sup>      | Attended | Held <sup>(1)</sup>                            | Attended | Held <sup>(1),(3)</sup>                | Attended | Held <sup>(1)</sup>                          | Attended |
| Mr David Clarke               | 13                  | 13       |                          |          | 3                                              | 3        |                                        |          |                                              |          |
| Dr David Teplitzky            | 13                  | 13       | 5                        | 4        | 3                                              | 2        |                                        |          |                                              |          |
| Mr Gregory Goodman            | 13                  | 13       |                          |          | 3                                              | 3        |                                        |          |                                              |          |
| Mr Ian Ferrier                | 13                  | 12       | 5                        | 5        | 3                                              | 3        |                                        |          | 1                                            | 1        |
| Mr Patrick Goodman            | 13                  | 13       |                          |          |                                                |          | 3                                      | 3        |                                              |          |
| Mr John Harkness              | 13                  | 12       |                          |          |                                                |          | 3                                      | 3        |                                              |          |
| Mr James Hodgkinson           | 13                  | 13       | 5                        | 5        |                                                |          |                                        |          |                                              |          |
| Ms Anne Keating               | 13                  | 13       |                          |          | 3                                              | 3        |                                        |          |                                              |          |
| Mr James Sloman               | 13                  | 13       |                          |          |                                                |          | 3                                      | 3        | 1                                            | 1        |
| Mr Stephen Girdis (Alternate) |                     |          |                          |          |                                                |          |                                        |          |                                              |          |

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

(2) The Investment Committee, a Committee for the Board for the purposes of considering identified transactional matters up to defined delegated limits was established on 9 May 2007.

(3) An additional formal briefing of the Committee occurred during the year. The attendees of this briefing were Mr John Harkness and Mr James Sloman.

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

## Principal activities

The principal activities of the Consolidated Entity during the course of the year were funds management, property services, development management and investment in directly and indirectly held industrial property. The Consolidated Entity operates in Australia, New Zealand, Asia and Europe.

## Review and results of operations

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

|                                                                   | Consolidated |         |
|-------------------------------------------------------------------|--------------|---------|
|                                                                   | 2007         | 2006    |
| Revenue and other income (\$M)                                    | 1,192.1      | 833.9   |
| Profit attributable to Securityholders (\$M)                      | 622.5        | 500.1   |
| Basic (loss)/earnings per Company share (¢)                       | (0.2)        | 3.2     |
| Basic earnings per security (¢)                                   | 38.3         | 34.6    |
| Dividends and distributions provided for or paid by Goodman (\$M) | 514.0        | 403.8   |
| Weighted average number of securities on issue (M)                | 1,624.3      | 1,447.0 |
| Net assets (\$M)                                                  | 4,578.2      | 3,971.3 |
| Number of securities on issue (M) <sup>(1)</sup>                  | 1,692.7      | 1,608.8 |
| Net tangible assets per security (\$) <sup>(2)</sup>              | 1.93         | 1.73    |

(1) Represents amounts as per the Australian Securities Exchange ("ASX") and includes 42.6 million Treasury Securities (2006: 30.9 million).

(2) Net tangible assets per security is stated after deducting amounts due to minority interests.

## Dividends and distributions

The Company did not declare any dividends during the year ended 30 June 2007 or up to the date of this report (2006: \$nil).

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

|                                                            | Distribution<br>cpu | Total amount<br>\$M | Date of<br>payment |
|------------------------------------------------------------|---------------------|---------------------|--------------------|
| <b>Distributions for the quarters ended:</b>               |                     |                     |                    |
| – 30 September 2006                                        | 7.875               | 126.5               | 9 Nov 06           |
| – 31 December 2006                                         | 7.875               | 128.4               | 15 Feb 07          |
| – 31 March 2007                                            | 7.875               | 129.2               | 3 May 07           |
| – 30 June 2007                                             | 7.875               | 129.9               | 23 Aug 07          |
| <b>Total distributions for the year ended 30 June 2007</b> | <b>31.500</b>       | <b>514.0</b>        |                    |
| <b>Distributions for the comparative quarters ended:</b>   |                     |                     |                    |
| – 30 September 2005                                        | 6.875               | 96.8                | 3 Nov 05           |
| – 31 December 2005                                         | 6.875               | 98.6                | 7 Feb 06           |
| – 31 March 2006                                            | 6.875               | 99.9                | 5 May 06           |
| – 30 June 2006                                             | 6.875               | 108.5               | 23 Aug 06          |
| <b>Total distributions for the year ended 30 June 2006</b> | <b>27.500</b>       | <b>403.8</b>        |                    |

# Directors' Report (continued)

## State of affairs

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

### (a) Launch of Goodman European Logistics Fund ("GELF") (formerly Arlington European Logistics Fund)

On 20 December 2006, Goodman launched GELF. Upon launch of the fund, GELF owned 12 logistics properties located throughout continental Europe's major logistics markets. This transaction resulted in net cash inflows of \$121.0 million to Goodman from equity sold to outside investors. Goodman took a 40% equity interest at 20 December 2006 and during the course of the financial year, reduced its equity interest in GELF to 27%. Goodman provides funds management, property management and other services to GELF.

### (b) Acquisition of Akeler Holdings SA ("Akeler")

During the year, Goodman facilitated the acquisition of Akeler properties located in the United Kingdom by Arlington Business Park Partnership ("ABPP"). Pursuant to this transaction, on 14 November 2006 Goodman acquired three European properties held by Akeler together with Akeler's property ownership and funds management business located in the United Kingdom for \$106.6 million. In addition, Goodman agreed to underwrite up to \$248 million (GBP 100 million) of the equity to be issued by ABPP. Goodman invested \$100.1 million in ABPP in December 2006 and as noted in the subsequent events section below, a further \$245.2 million in July and August 2007.

### (c) Acquisition of Lighthouse Portfolio

Goodman acquired a portfolio of eight fully leased properties ("Lighthouse Portfolio") located in the United Kingdom on 20 September 2006 for consideration of \$210.9 million. Subsequently, three of the non-core properties were sold for a total consideration of \$78.6 million. Details of this acquisition are set out in note 3 to the financial statements.

### (d) Acquisition of Rosemound Group ("Rosemound")

On 13 April 2007, Goodman acquired the Rosemound business, comprising Rosemound Developments Limited and Rosehill TopCo Limited, a logistics property development business based in the United Kingdom, for consideration of \$268.0 million. As a result of the transaction, Goodman acquired a portfolio of development land parcels in the United Kingdom valued at \$553.0 million. Details of this acquisition are set out in note 3 to the financial statements.

### (e) Alliance with MBL and J-REP in Japan

Goodman announced on 17 May 2007 that, through Macquarie Goodman Asia Limited ("MGA"), a joint venture with Macquarie Bank Limited ("MBL"), it had acquired a 53% interest in Japan Representative ("J-REP"). J-REP is a logistics focussed property business providing a range of leasing, development and funds management activities in Japan. J-REP is listed on the Tokyo Stock Exchange (Mothers) Index. Goodman's cost of investment was \$147.6 million.

### (f) Refinance of debt and corporate rating

On 23 May 2007, Goodman announced it received corporate ratings of Baa1 from Moody's Investors Service and BBB+ from Standard & Poor's. Consistent with achieving these credit rating outcomes, Goodman moved to an unsecured platform, and repositioned its Syndicated Multi-currency Facility ("SMCF") including increasing the facility limit from \$1.4 billion to \$2.0 billion. The SMCF and other major borrowing facilities are now positioned to a Common Terms arrangement in respect of financial covenants and other key terms providing the capacity to manage the Consolidated Entity's debt facilities on a global basis.

In the opinion of the Directors, there were no other significant changes in the state of affairs of Goodman that occurred during the year.

## Strategy and outlook

Looking forward, we will continue to strengthen our presence in Australia, New Zealand, Asia and Europe. The focus for these regions is to grow the third party funds management businesses and pursue yield-accretive properties that are well located and provide stability through the diversification of Goodman's customer base, asset and geographic mix.

Likely developments in the near future include seeding a logistics fund in the United Kingdom in the first half of 2008 with a view to expanding Goodman's third party funds management operations.

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

## Options granted during the year

The following options over unissued securities were issued by the Company under the Executive Option Plan to Executive Officers and other employees during the year:

| Date granted                            | Expiry date | Exercise price<br>\$ | Options issued    |
|-----------------------------------------|-------------|----------------------|-------------------|
| <b>Options over Unissued Securities</b> |             |                      |                   |
| 13 Oct 2006                             | 30 Sep 2012 | 6.35                 | 11,020,000        |
| 10 Apr 2007                             | 31 Dec 2012 | 7.23                 | 28,202,500        |
| 22 Jun 2007                             | 31 Dec 2012 | 7.13                 | 7,060,000         |
|                                         |             |                      | <b>46,282,500</b> |
| <b>Cash Settled Options</b>             |             |                      |                   |
| 13 Oct 2006                             | 30 Sep 2012 | 6.35                 | 810,000           |
| 10 Apr 2007                             | 31 Dec 2012 | 7.23                 | 992,500           |
|                                         |             |                      | <b>1,802,500</b>  |
| <b>Total</b>                            |             |                      | <b>48,085,000</b> |

## Unissued securities under option

At the date of the Financial Report, unissued securities under option are:

| Date granted | Expiry date | Exercise price<br>\$ | Options issued |
|--------------|-------------|----------------------|----------------|
| 28 Oct 2003  | 28 Oct 2008 | 2.59                 | 233,335        |
| 23 Jan 2004  | 23 Jan 2009 | 2.83                 | 333,334        |
| 23 Jul 2004  | 23 Jul 2009 | 3.17                 | 200,000        |
| 3 Nov 2005   | 30 Jun 2011 | 4.09                 | 5,113,445      |
| 9 Dec 2005   | 31 Dec 2011 | 4.29                 | 14,300,000     |
| 14 Jun 2006  | 31 Dec 2011 | 5.24                 | 3,422,000      |
| 13 Oct 2006  | 30 Sep 2012 | 6.35                 | 8,160,000      |
| 10 Apr 2007  | 31 Dec 2012 | 7.23                 | 27,095,000     |
| 22 Jun 2007  | 31 Dec 2012 | 7.13                 | 7,060,000      |

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the Consolidated Entity achieving certain performance hurdles. The performance hurdle applicable to the above options issued under the Executive Option Plan requires compound annual growth in earnings per security ranging from 11% to 12% or more since the end of the previously reported 12 month period immediately preceding the date of grant (as reported in the Annual Report or Half Yearly Report of the Consolidated Entity).

## Securities issued on exercise of options

During or since the end of the year, Goodman issued securities as a result of the exercise of options as follows:

| Number of securities issued | Amount paid per security<br>\$ |
|-----------------------------|--------------------------------|
| 233,333                     | 2.59                           |
| 100,000                     | 3.17                           |
| 260,000                     | 4.09                           |

# Directors' Report (continued)

## Directors' interests

The relevant interest of each Director in the issued capital of Goodman as notified by the Directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001, at the date of the Financial Report is as follows:

|                      | Total securities held | Securities held through associated interests |
|----------------------|-----------------------|----------------------------------------------|
| <b>Non-Executive</b> |                       |                                              |
| Mr David Clarke      | 206,901               | 89,044                                       |
| Dr David Teplitzky   | 5,636                 | -                                            |
| Mr Ian Ferrier       | 4,765                 | -                                            |
| Mr Patrick Goodman   | 148,725,839           | 148,725,839                                  |
| Mr John Harkness     | 5,426                 | -                                            |
| Mr James Hodgkinson  | 308,817               | 198,106                                      |
| Ms Anne Keating      | 45,180                | 15,675                                       |
| Mr James Sloman      | 2,785                 | -                                            |
| Mr Stephen Girdis    | 1,105                 | 1,105                                        |
| <b>Executive</b>     |                       |                                              |
| Mr Gregory Goodman   | 148,725,839           | 136,701,173                                  |

None of the Directors held any options over unissued securities at 30 June 2007.

## Remuneration report

Key management personnel have authority and responsibility for planning, directing and controlling the activities of Goodman. Key management personnel include the Executive Director and the five most highly remunerated Executives of Goodman as defined under section 300A of the Corporations Act 2001. Key management personnel are not disclosed in respect of the Parent Entity as it did not have any employees at the end of the year or at any time during the year.

The Board, based on advice from the Remuneration and Nomination Committee, has developed policies dealing with the short, medium and long-term remuneration of Goodman's employees. The role of the Remuneration and Nomination Committee and these policies are set out below.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee develops and makes recommendations to the Board regarding overall remuneration policy and specific remuneration arrangements applying to the Group Chief Executive Officer, Senior Executives and Directors. The Committee is also responsible for oversight of specific remuneration elements including the Short Term Incentive ("STI") bonus scheme, the Long-Term Incentive ("LTI") scheme (Executive Option Plan and Employee Share Acquisition Plan ("ESAP")), superannuation entitlements, termination payments, gifts and the fringe benefits policy.

The members of the Remuneration and Nomination Committee during the year were:

- (a) Mr David Clarke (Non-Executive Chairman);
- (b) Dr David Teplitzky (Independent Member);
- (c) Mr Gregory Goodman (Executive Member);
- (d) Mr Ian Ferrier (Independent Member); and
- (e) Ms Anne Keating (Independent Member).

The Remuneration and Nomination Committee meets as required to consider and recommend to the Board approaches to remuneration policy and specific arrangements for senior employees, Directors and general outcomes for the wider employee population. Decisions are made by the Committee during the year either at a meeting or via circular resolutions. The Committee has the resources and authority appropriate to discharge its duties and responsibilities. It is able to engage external professionals to advise on any relevant matters. The Committee members' attendance record is disclosed on page 34 in this Directors' Report.

Further information relating to the activities of the Committee is available on Goodman's website.

## Remuneration report (continued)

### Remuneration policies – audited

#### Overview of remuneration policies

The Board recognises that Goodman's performance is dependent upon the quality of its people and the way they are organised, managed and motivated.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration and Nomination Committee obtains independent advice on the appropriateness of remuneration, taking into account remuneration market trends in comparative companies. Remuneration packages include a mix of fixed remuneration, short-term performance based remuneration and equity based remuneration. The remuneration structures explained below are designed to attract and retain suitably qualified candidates and are designed to align executive performance with the objective of increasing Goodman's return on equity in the short and long term.

To date, Goodman has adopted the practice of maintaining relatively low fixed remuneration components while providing proportionately higher short and long-term incentive components when compared to the overall market. This has reflected the rapid growth and transaction based nature of the business over recent years.

The expansion into UK/Europe has required adoption of approaches to remuneration and benefits policies that reflect local regulatory requirements. For example, in some jurisdictions it has become necessary to offer cash settled options rather than equity settled options as part of LTI arrangements. Similarly, differing approaches to retirement incomes policy necessitate tailored solutions in terms of pension/superannuation arrangements. Goodman takes account of these differences and does not attempt to match benefits with those applying in different local environments.

This year, it has been necessary to develop approaches to expatriate remuneration to ensure mobility of talented employees who are being deployed to and from countries where Goodman has operations.

The Committee seeks input and advice to ensure that it determines an approach to remuneration which is sustainable, competitive and attractive in the market.

#### Fixed remuneration

Fixed remuneration consists of a base remuneration package which includes cash, non-cash benefits (e.g. motor vehicles and allowances) including the full cost of any related Fringe Benefits Tax charges, plus employer contributions to superannuation and pension funds.

Remuneration rates are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the Consolidated Entity and overall remuneration movements in competitors and the wider market. The Committee seeks external remuneration market analysis and advice to ensure the Directors' and Senior Executives' remuneration is competitive. Senior executive remuneration may also be reviewed by the Committee on appointment or promotion.

#### Performance linked remuneration

Performance linked remuneration is reviewed annually and includes both short-term and long-term incentives. The intention is to reward Executive Directors and Senior Executives for meeting or exceeding performance goals at an individual and company level.

##### (a) Short-term incentive ("STI")

The STI provides cash bonuses for individual performance compared to objectives set for the year. Total STIs are calculated in accordance with a bonus policy approved by the Remuneration and Nomination Committee and the Board. The Bonus Policy determines a bonus pool which is allocated across all staff with the Group Chief Executive Officer entitled to between 15% and 20% of the total bonus pool. Individual allocations are made based on an assessment by senior managers and the Group Chief Executive Officer of each individual's performance and contribution to the Company's performance. The bonus pool is calculated having regard to return on equity achieved for this period and other matters.

The current Bonus Policy provides that the first \$100,000 (2006: \$50,000) of any bonus granted is paid in cash in August of the year following the year in which the bonus was earned. This limit varies from country to country having regard for local market practice. The remainder is paid with regular salary payments over three years subject to the conditions attaching to Senior Executives' service agreements described later in this report. Employees forfeit any unpaid bonuses if they cease employment with the Consolidated Entity.

# Directors' Report (continued)

## Remuneration report (continued)

### Remuneration policies – audited (continued)

#### (b) Long-term incentive ("LTI")

The LTI provides equity based remuneration through the issue of options or participation in the ESAP. Due to regulatory changes announced by the Federal Government in April 2007, all future allocations to Australian employees will be in the form of options over securities rather than participation in the ESAP. The purpose of these plans is to achieve enhanced alignment of the interests of employees and Securityholders by matching rewards under the LTI with the long-term growth and prosperity of Goodman. In addition to providing LTIs to Senior Executives, Goodman also ensures that the majority of employees have the opportunity to participate in these schemes.

Details of equity based remuneration are as follows:

##### (i) Options

Goodman has an Executive Option Plan which was re-approved at the Annual General Meeting on 16 November 2006.

Options issued under the Executive Option Plan entitle employees to purchase securities in Goodman on exercise of the options.

On 13 October 2006, Goodman issued options which entitle employees to a cash settlement on exercise of the options ("cash settled options"). The settlement amount is based on the difference between the market price of the security and the exercise price of the option on the date of exercise. The cash settled options were introduced due to tax laws in foreign jurisdictions which did not favour the issue of equity settled options to employees in these foreign jurisdictions.

During or since the end of the year, no options over unissued securities were granted to Directors. Future issues of options to employees will be subject to the following broad terms:

- options will expire on the earlier of approximately six years or termination of the employee's employment;
- the ability to exercise options will be conditional on the Consolidated Entity achieving return on equity hurdles on average greater than 12% over the period of the option;
- options will vest equally over the end of years three, four and five; and
- the exercise price of options will be based on the volume weighted average market price of securities traded on the ASX during ten trading days immediately prior to the date options are offered to the employee.

##### (ii) ESAP

The ESAP was approved at the Shareholders' meeting on 25 January 2005. Initially, participants of the ESAP were Australian option holders who rolled their option entitlements into the ESAP. Generally, option holders who rolled into the ESAP had similar restrictions and benefits applying to their securities as would have applied if they continued to hold their options.

The broad terms of grants under the ESAP are as follows:

- subject to offers made from time to time by the Company, eligible employees will be able to acquire restricted securities at the market price prevailing at the time of offer using funds borrowed from Goodman. Securities may only be acquired during the periods permitted under the Company's policies for employees dealing in securities;
- the market price will be the 10 day volume weighted average price at which securities are traded on the ASX prior to the date of the offer;
- securities will be restricted for three years, with one third of the securities becoming unrestricted each year at the end of years three, four and five, subject to restrictions;
- restrictions will be based on the participant remaining an employee and the Consolidated Entity achieving return on equity targets on average greater than 12% over the period of the offer;
- loans to purchase securities will be limited recourse and interest bearing at Goodman's weighted average cost of debt; and
- the after-tax amount of any dividends or distributions paid on restricted securities acquired with the loan must be applied towards payment of interest and the principal of the loan. Tax is deducted at the highest marginal rate for individuals.

Following changes to tax legislation in April 2007, Goodman is again able to allocate options to Australian resident employees. The Company does not intend to make further grants to employees under the ESAP but to make equivalent grants of options.

## Remuneration report (continued)

### Remuneration policies – audited (continued)

#### Service Agreements

##### *Senior Executives*

All Senior Executives are engaged under written employment agreements that provide for usual conditions of employment applying in the industry, including the need for compliance with specific policies of the Company in relation to its Code of Conduct and Human Resources Policies. The Company has agreed particular notice of termination periods in the contracts of Senior Executives ranging from one to 12 months.

All employees are engaged under written employment agreements that provide for usual conditions of employment applying in the industry, including the need for compliance with specific policies of the Company in relation to its Code of Conduct and Human Resource Policies. Notice provisions vary from periods of one month to six months depending upon the role of the employee.

##### *Non-Executive Directors*

Total remuneration payable by the Company to all Non-Executive Directors in aggregate, must not exceed \$2.5 million per annum being the amount approved by Shareholders at the Annual General Meeting of the Company on 16 November 2006. Remuneration is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' fees for 2007 total approximately \$1.8 million per annum which takes into account amounts paid for committee membership, chairing of committees and the Board along with per diem allowances for due diligence or special projects.

The following also applies to Non-Executive Directors' remuneration:

- Non-Executive Directors do not receive any long-term or short-term incentives;
- Goodman does not operate an incentive or retirement scheme for Non-Executive Directors;
- 25% of the after-tax remuneration must be applied to the on-market purchase of securities until the value of securities held by the Director equals two years of fees for that Director. Securities may only be acquired during the periods permitted for purchases of securities. These securities will be held in escrow until the Director's retirement; and
- all Non-Executive Directors must act as a member of at least one Board Committee.

# Directors' Report (continued)

## Remuneration report (continued)

### Directors' remuneration – audited

Details of the nature and amount of each major element of the remuneration of each Director of the Company in relation to the management of Goodman's affairs are set out below:

|                                     |      | Short-term         |                      |                      |           | Post<br>employ-<br>ment         | Long-term            |         | Share<br>based<br>payments |           | Proportion of<br>remuneration<br>performance related | Value of share based<br>payments as<br>proportion of<br>remuneration |
|-------------------------------------|------|--------------------|----------------------|----------------------|-----------|---------------------------------|----------------------|---------|----------------------------|-----------|------------------------------------------------------|----------------------------------------------------------------------|
|                                     |      | Salary<br>and fees | Bonus <sup>(2)</sup> | Other <sup>(3)</sup> | Total     | Super-<br>annuation<br>benefits | Bonus <sup>(2)</sup> | Other   | ESAP                       | Total     |                                                      |                                                                      |
|                                     |      |                    |                      |                      |           |                                 |                      |         |                            |           |                                                      |                                                                      |
| Non-Executive                       |      |                    |                      |                      |           |                                 |                      |         |                            |           |                                                      |                                                                      |
| Mr David<br>Clarke                  | 2007 | 537,314            | —                    | —                    | 537,314   | 12,686                          | —                    | —       | —                          | 550,000   | —                                                    | —                                                                    |
|                                     | 2006 | 170,000            | —                    | —                    | 170,000   | 12,139                          | —                    | —       | —                          | 182,139   | —                                                    | —                                                                    |
| Dr David<br>Teplitzky               | 2007 | 207,500            | —                    | —                    | 207,500   | —                               | —                    | —       | —                          | 207,500   | —                                                    | —                                                                    |
|                                     | 2006 | 105,000            | —                    | —                    | 105,000   | —                               | —                    | —       | —                          | 105,000   | —                                                    | —                                                                    |
| Mr Ian<br>Ferrier                   | 2007 | 180,214            | —                    | —                    | 180,214   | 12,686                          | —                    | —       | —                          | 192,900   | —                                                    | —                                                                    |
|                                     | 2006 | 90,000             | —                    | —                    | 90,000    | 8,100                           | —                    | —       | —                          | 98,100    | —                                                    | —                                                                    |
| Mr Patrick<br>Goodman               | 2007 | 164,814            | —                    | —                    | 164,814   | 12,686                          | —                    | —       | —                          | 177,500   | —                                                    | —                                                                    |
|                                     | 2006 | 80,000             | —                    | —                    | 80,000    | 7,200                           | —                    | —       | —                          | 87,200    | —                                                    | —                                                                    |
| Mr John<br>Harkness                 | 2007 | 169,814            | —                    | —                    | 169,814   | 12,686                          | —                    | —       | —                          | 182,500   | —                                                    | —                                                                    |
|                                     | 2006 | 90,000             | —                    | —                    | 90,000    | 8,100                           | —                    | —       | —                          | 98,100    | —                                                    | —                                                                    |
| Mr James<br>Hodgkinson              | 2007 | 167,314            | —                    | —                    | 167,314   | 12,686                          | —                    | —       | —                          | 180,000   | —                                                    | —                                                                    |
|                                     | 2006 | 80,000             | —                    | —                    | 80,000    | 7,200                           | —                    | —       | —                          | 87,200    | —                                                    | —                                                                    |
| Ms Anne<br>Keating                  | 2007 | 164,814            | —                    | —                    | 164,814   | 12,686                          | —                    | —       | —                          | 177,500   | —                                                    | —                                                                    |
|                                     | 2006 | 80,000             | —                    | —                    | 80,000    | 7,200                           | —                    | —       | —                          | 87,200    | —                                                    | —                                                                    |
| Mr James<br>Sloman                  | 2007 | 165,614            | —                    | —                    | 165,614   | 12,686                          | —                    | —       | —                          | 178,300   | —                                                    | —                                                                    |
|                                     | 2006 | 33,333             | —                    | —                    | 33,333    | 3,000                           | —                    | —       | —                          | 36,333    | —                                                    | —                                                                    |
| Mr Stephen<br>Girdis <sup>(1)</sup> | 2007 | —                  | —                    | —                    | —         | —                               | —                    | —       | —                          | —         | —                                                    | —                                                                    |
|                                     | 2006 | —                  | —                    | —                    | —         | —                               | —                    | —       | —                          | —         | —                                                    | —                                                                    |
| Executive                           |      |                    |                      |                      |           |                                 |                      |         |                            |           |                                                      |                                                                      |
| Mr Gregory<br>Goodman               | 2007 | 1,387,398          | 2,433,333            | 162,895              | 3,983,626 | 13,174                          | 1,166,667            | 177,351 | 847,858                    | 6,188,676 | 72%                                                  | 14%                                                                  |
|                                     | 2006 | 587,861            | 1,416,667            | 35,970               | 2,040,498 | 12,139                          | 683,333              | —       | 917,302                    | 3,653,272 | 83%                                                  | 25%                                                                  |

(1) Mr Stephen Girdis does not receive any remuneration from Goodman for his role as an Alternate Director.

(2) Bonus payments to Executive Directors are paid in accordance with the policy determined by the Remuneration and Nomination Committee. Bonuses comprise both short-term and long-term benefits as amounts above \$100,000 (2006: \$50,000) are withheld and paid fortnightly over a period of three years. The comparative figures have been adjusted to reflect the long-term component of bonuses in long-term bonus. There is no change to the total remuneration for any Executive for either the current year or the comparative year. The total bonus amount included represents the amount approved during the financial year with respect to the previous financial year's performance.

(3) Other includes reportable fringe benefits, car parking and per diem allowances, and changes in annual leave balances. Comparative figures for Mr Gregory Goodman have been increased by \$24,692, reflecting the value of changes in his annual leave balance in the comparative year.

## Remuneration report (continued)

### Executive Officers' remuneration – audited

Details of the nature and amount of each major element of the remuneration of each of the five named Executives of Goodman who receive the highest remuneration and other key management personnel are set out below:

|                                                                                 |      | Short-term         |                      |                      |           | Post<br>employ-<br>ment | Long-term                       |                      | Share<br>based<br>payments |           | Proportion of<br>remuneration<br>performance related | Value of share based<br>payments as<br>proportion of<br>remuneration |
|---------------------------------------------------------------------------------|------|--------------------|----------------------|----------------------|-----------|-------------------------|---------------------------------|----------------------|----------------------------|-----------|------------------------------------------------------|----------------------------------------------------------------------|
|                                                                                 |      | Salary<br>and fees | Bonus <sup>(1)</sup> | Other <sup>(2)</sup> | Total     |                         | Super-<br>annuation<br>benefits | Bonus <sup>(1)</sup> | Other                      | ESAP      |                                                      |                                                                      |
|                                                                                 |      | \$                 | \$                   | \$                   | \$        | \$                      | \$                              | \$                   | \$                         | \$        | %                                                    | %                                                                    |
| Executives                                                                      |      |                    |                      |                      |           |                         |                                 |                      |                            |           |                                                      |                                                                      |
| Mr David Van<br>Aanholt,<br>Chief Executive<br>Officer, Asia Pacific            | 2007 | 687,335            | 866,667              | 23,612               | 1,577,614 | 13,174                  | 383,333                         | 41,729               | 601,285                    | 2,617,135 | 71%                                                  | 23%                                                                  |
|                                                                                 | 2006 | 487,861            | 516,667              | (8,270)              | 996,258   | 12,139                  | 233,333                         | —                    | 471,671                    | 1,713,401 | 71%                                                  | 28%                                                                  |
| Mr Anthony<br>Rozic,<br>Group Chief<br>Financial Officer                        | 2007 | 687,398            | 700,000              | 98,090               | 1,485,488 | 13,174                  | 300,000                         | 10,610               | 405,516                    | 2,214,788 | 63%                                                  | 18%                                                                  |
|                                                                                 | 2006 | 387,861            | 213,333              | 22,801               | 623,995   | 12,139                  | 81,667                          | —                    | 83,466                     | 801,267   | 47%                                                  | 10%                                                                  |
| Mr Nick Kurtis,<br>Group Head<br>of Funds<br>Management                         | 2007 | 537,398            | 700,000              | 22,663               | 1,260,061 | 13,174                  | 300,000                         | 21,418               | 660,696                    | 2,255,349 | 74%                                                  | 29%                                                                  |
|                                                                                 | 2006 | 437,861            | 416,667              | (73,910)             | 780,618   | 12,139                  | 183,333                         | —                    | 630,550                    | 1,606,640 | 77%                                                  | 39%                                                                  |
| Mr Michael<br>O'Sullivan,<br>Chief Executive<br>Officer, Europe                 | 2007 | 988,890            | 866,667              | (42,850)             | 1,812,707 | 976                     | 383,333                         | 23,404               | 401,586                    | 2,622,006 | 63%                                                  | 15%                                                                  |
|                                                                                 | 2006 | 437,861            | 416,667              | 27,945               | 882,473   | 12,139                  | 183,333                         | —                    | 205,046                    | 1,282,991 | 63%                                                  | 16%                                                                  |
| Mr Jeff<br>Pulsford,<br>Chief Executive<br>Officer, Business<br>Parks and Funds | 2007 | 836,408            | 196,801              | 45,027               | 1,078,236 | 231,430                 | —                               | —                    | 330,673                    | 1,640,339 | 32%                                                  | 20%                                                                  |
|                                                                                 | 2006 | 254,948            | 190,023              | 20,331               | 465,302   | 90,909                  | —                               | —                    | 134,300                    | 690,511   | 47%                                                  | 19%                                                                  |

(1) Bonuses paid to Executives are in accordance with the Bonus Policy and based on individual performance of Executives among their peers. Bonuses comprise both short-term benefits and long-term benefits. Amounts due to employees in Australia above \$100,000 (2006: \$50,000) are withheld and paid fortnightly over a period of three years. This limit varies from country to country. Subject to the conditions of their service contracts, Executives will only receive their unpaid bonuses if they remain as employees of the Consolidated Entity. The comparative figures have been adjusted to reflect the long term component of bonuses in long-term bonus. There is no change to the total remuneration for any Executive for either the current year or the comparative year. The total bonus amount included represents the amount approved during the financial year with respect to the previous financial year's performance.

(2) Other includes reportable fringe benefits, car parking and per diem allowances and changes in annual leave balances. Comparative figures for all Executives except Mr Jeff Pulsford have been adjusted to reflect the value of changes in their annual leave balances in the comparative year.

# Directors' Report (continued)

## Remuneration report (continued)

### Executive Officers' remuneration – audited (continued)

Notes in relation to the table of Directors' and Executives' remuneration – audited

The following assumptions were used in determining the fair value of options on grant date:

| Grant date  | Expiry date | Fair value per option<br>\$ | Exercise price<br>\$ | Market price of security<br>\$ | Expected volatility<br>% | Risk free interest rate<br>%pa | Distribution yield<br>%pa |
|-------------|-------------|-----------------------------|----------------------|--------------------------------|--------------------------|--------------------------------|---------------------------|
| 9 Dec 2005  | 31 Dec 2011 | 0.58                        | 4.29                 | 4.48                           | 17.50                    | 5.86                           | 6.14                      |
| 13 Oct 2006 | 30 Sep 2012 | 0.53                        | 6.35                 | 6.68                           | 18.60                    | 6.38                           | 5.20                      |
| 10 Apr 2007 | 31 Dec 2012 | 0.75                        | 7.23                 | 7.17                           | 18.60                    | 6.32                           | 5.30                      |
| 22 Jun 2007 | 31 Dec 2012 | 0.89                        | 7.13                 | 7.00                           | 19.80                    | 6.58                           | 5.30                      |

In respect of securities granted under the terms of the ESAP where limited recourse loans are provided to employees, the fair value of the limited recourse feature of the loan is treated as an option and is based on the following assumptions:

| Grant date  | Expiry date | Fair value per limited recourse security<br>\$ | Issue price<br>\$ | Market price of security<br>\$ | Expected volatility<br>% | Risk free interest rate<br>%pa | Distribution yield<br>%pa |
|-------------|-------------|------------------------------------------------|-------------------|--------------------------------|--------------------------|--------------------------------|---------------------------|
| 3 Nov 2005  | 30 Jun 2011 | 0.45                                           | 4.09              | 4.12                           | 17.68                    | 5.90                           | 7.02                      |
| 14 Jun 2006 | 31 Dec 2011 | 0.53                                           | 5.24              | 5.24                           | 18.74                    | 6.19                           | 5.27                      |
| 10 Apr 2007 | 31 Dec 2012 | 1.10                                           | 7.23              | 7.17                           | 18.60                    | 6.64                           | 5.30                      |

### Options over equity instruments granted as compensation – audited

Details of options over ordinary securities of Goodman that were granted by the Company as compensation to each key management person and details on options that vested during the reporting period are as follows:

| Executive        | Year | Number of options granted | Grant date  | Fair value per option at grant date<br>\$ | Exercise price per option<br>\$ | Expiry date |
|------------------|------|---------------------------|-------------|-------------------------------------------|---------------------------------|-------------|
| Mr Jeff Pulsford | 2007 | 1,000,000                 | 10 Apr 2007 | 0.75                                      | 7.23                            | 31 Dec 2012 |
|                  | 2006 | 1,325,000                 | 9 Dec 2005  | 0.58                                      | 4.29                            | 31 Dec 2011 |

## Remuneration report (continued)

### Options over equity instruments granted as compensation – audited (continued)

Details of securities of Goodman that were granted by the Company under the ESAP as compensation to each key management person and details on options that vested during the reporting period are as follows:

|                           | Year | Number of securities granted under the ESAP | Grant date  | Fair value per option at grant date \$ | Exercise price per option \$ | Expiry date |
|---------------------------|------|---------------------------------------------|-------------|----------------------------------------|------------------------------|-------------|
| <b>Executive Director</b> |      |                                             |             |                                        |                              |             |
| Mr Gregory Goodman        | 2007 | 2,000,000                                   | 22 Nov 2006 | 0.53                                   | 5.24                         | 31 Dec 2011 |
|                           | 2006 | 1,995,990                                   | 3 Nov 2005  | 0.45                                   | 4.09                         | 30 Jun 2011 |
| <b>Executives</b>         |      |                                             |             |                                        |                              |             |
| Mr David van Aanholt      | 2007 | 900,000                                     | 10 Apr 2007 | 1.10                                   | 7.23                         | 31 Dec 2012 |
|                           | 2006 | 1,000,000                                   | 14 Jun 2006 | 0.53                                   | 5.24                         | 30 Dec 2011 |
|                           | 2006 | 977,995                                     | 3 Nov 2005  | 0.45                                   | 4.09                         | 30 Jun 2011 |
| Mr Anthony Rozic          | 2007 | 1,000,000                                   | 10 Apr 2007 | 1.10                                   | 7.23                         | 31 Dec 2012 |
|                           | 2006 | 1,000,000                                   | 14 Jun 2006 | 0.53                                   | 5.24                         | 30 Dec 2011 |
|                           | 2006 | 733,496                                     | 3 Nov 2005  | 0.45                                   | 4.09                         | 30 Jun 2011 |
| Mr Nick Kurtis            | 2007 | 950,000                                     | 10 Apr 2007 | 1.10                                   | 7.23                         | 31 Dec 2012 |
|                           | 2006 | 1,000,000                                   | 14 Jun 2006 | 0.53                                   | 5.24                         | 30 Dec 2011 |
|                           | 2006 | 733,496                                     | 3 Nov 2005  | 0.45                                   | 4.09                         | 30 Jun 2011 |
| Mr Michael O'Sullivan     | 2007 | 850,000                                     | 10 Apr 2007 | 1.10                                   | 7.23                         | 31 Dec 2012 |
|                           | 2006 | 1,000,000                                   | 14 Jun 2006 | 0.53                                   | 5.24                         | 30 Dec 2011 |
|                           | 2006 | 855,746                                     | 3 Nov 2005  | 0.45                                   | 4.09                         | 30 Jun 2011 |

Equity instruments refer to options over stapled securities issued under the Executive Option Plan and securities issued under the ESAP. As the interest bearing loans granted to employees under the ESAP are limited recourse, the value of this feature of the loan is accounted for as an option.

None of the options or securities provided under the ESAP included in the above tables vested in the current year (2006: nil). No options or securities provided under the ESAP have been granted since the end of the financial year.

All options and offers under the ESAP expire on the earlier of their expiry date or termination of the individual's employment. The options and securities are exercisable from the end of years three, four and five from grant date. In addition to a continuing employment service condition, the ability to exercise options or securities under the ESAP is conditional on Goodman achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 40. For options and ESAP securities granted in the current year, the earliest exercise date is 30 September 2009.

During the reporting period, there were no options forfeited or exercised by any Director of the Company, each of the five named Executives or other key management personnel.

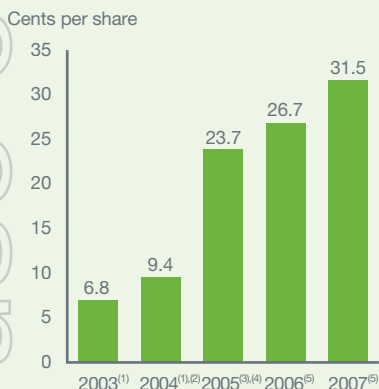
# Directors' Report (continued)

## Remuneration report (continued)

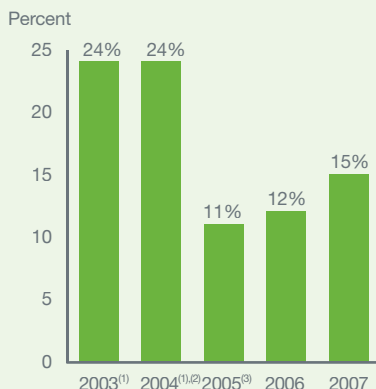
### Remuneration and past financial performance – unaudited

The level of fixed remuneration and performance-linked remuneration has been a function of the growth achieved by the Company and its ability to attract and retain qualified and experienced management. Key financial drivers used to determine the level of remuneration in the past and moving forward include earnings per security, total securityholder returns, and return on equity. Return on equity will be the most significant factor moving forward and accordingly, Executives will be remunerated by exceeding a benchmark performance of return on equity. Historical performance for these financial drivers over the past five years for Goodman is as follows:

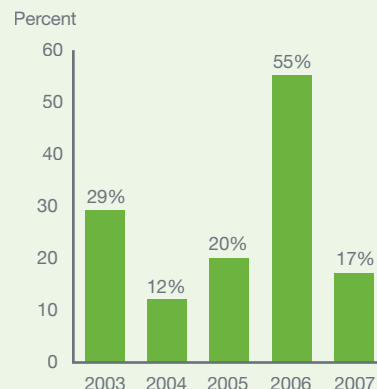
Earnings per share/security



Return on equity



Total securityholder return



- (1) Not adjusted for AIFRS.
- (2) Before performance fee.
- (3) Before performance fee and merger cost.
- (4) Restated under AIFRS.
- (5) Adjusted to exclude unrealised gains.

- (1) Not adjusted for AIFRS.
- (2) Before performance fee.
- (3) Before performance fee and merger cost.

As demonstrated by the above historical performance, total performance remuneration is directly linked to pre-determined benchmarks which have historically been achieved based on the Consolidated Entity's financial performance.

## Remuneration report (continued)

### Equity instruments – unaudited (continued)

#### Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each Director of Goodman and each of the five named Goodman Executives or other key management personnel are detailed below:

|                  | Options granted |             | Vested in the year % | Forfeited in the year % <sup>(a)</sup> | Financial years in which grant vests | Value yet to vest |        |
|------------------|-----------------|-------------|----------------------|----------------------------------------|--------------------------------------|-------------------|--------|
|                  | Number          | Date        |                      |                                        |                                      | Min \$            | Max \$ |
| Executive        |                 |             |                      |                                        |                                      |                   |        |
| Mr Jeff Pulsford | 1,000,000       | 10 Apr 2007 | -                    | -                                      | FY 2010 – FY 2012                    | (b)               | (c)    |
|                  | 1,325,000       | 9 Dec 2005  | -                    | -                                      | FY 2009 – FY 2011                    | (b)               | (c)    |

Details of vesting profiles of the securities granted under the ESAP as remuneration to each Director of Goodman and each of the five named Goodman Executives or other key management personnel are detailed below.

|                       | Securities granted under the ESAP |             | Vested in the year % | Forfeited in the year % <sup>(a)</sup> | Financial years in which grant vests | Value yet to vest |        |
|-----------------------|-----------------------------------|-------------|----------------------|----------------------------------------|--------------------------------------|-------------------|--------|
|                       | Number                            | Date        |                      |                                        |                                      | Min \$            | Max \$ |
| Executive Director    |                                   |             |                      |                                        |                                      |                   |        |
| Mr Gregory Goodman    | 2,000,000                         | 22 Nov 2006 | -                    | -                                      | FY 2009 – FY 2011                    | (b)               | (c)    |
|                       | 1,995,990                         | 3 Nov 2005  | -                    | -                                      | FY 2008 – FY 2010                    | (b)               | (c)    |
| Executives            |                                   |             |                      |                                        |                                      |                   |        |
| Mr David van Aanholt  | 900,000                           | 10 Apr 2007 | -                    | -                                      | FY 2010 – FY 2012                    | (b)               | (c)    |
|                       | 1,000,000                         | 14 Jun 2006 | -                    | -                                      | FY 2009 – FY 2011                    | (b)               | (c)    |
|                       | 977,995                           | 3 Nov 2005  | -                    | -                                      | FY 2008 – FY 2010                    | (b)               | (c)    |
|                       | 1,000,000                         | 28 Oct 2003 | 33.3                 | -                                      | FY 2006 – FY 2008                    | (b)               | (c)    |
| Mr Anthony Rozic      | 1,000,000                         | 10 Apr 2007 | -                    | -                                      | FY 2010 – FY 2012                    | (b)               | (c)    |
|                       | 1,000,000                         | 14 Jun 2006 | -                    | -                                      | FY 2009 – FY 2011                    | (b)               | (c)    |
|                       | 733,496                           | 3 Nov 2005  | -                    | -                                      | FY 2008 – FY 2010                    | (b)               | (c)    |
| Mr Nick Kurtis        | 950,000                           | 10 Apr 2007 | -                    | -                                      | FY 2010 – FY 2012                    | (b)               | (c)    |
|                       | 1,000,000                         | 14 Jun 2006 | -                    | -                                      | FY 2009 – FY 2011                    | (b)               | (c)    |
|                       | 733,496                           | 3 Nov 2005  | -                    | -                                      | FY 2008 – FY 2010                    | (b)               | (c)    |
|                       | 1,000,000                         | 28 Oct 2003 | 50.0                 | -                                      | FY 2007 – FY 2008                    | (b)               | (c)    |
| Mr Michael O'Sullivan | 850,000                           | 10 Apr 2007 | -                    | -                                      | FY 2010 – FY 2012                    | (b)               | (c)    |
|                       | 1,000,000                         | 14 Jun 2006 | -                    | -                                      | FY 2009 – FY 2011                    | (b)               | (c)    |
|                       | 855,746                           | 3 Nov 2005  | -                    | -                                      | FY 2008 – FY 2010                    | (b)               | (c)    |

(a) The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

(b) The minimum value of options yet to vest is \$nil as the performance or service criteria may not be met and consequently the option may not vest.

(c) The maximum value of options yet to vest cannot be determined as it depends on the market price of Goodman securities on the ASX at the date the option is exercised.

# Directors' Report (continued)

## Remuneration report (continued)

### Equity instruments – unaudited (continued)

#### Analysis of movements in securities issued under the ESAP

The movement during the reporting period, by value, of securities of Goodman held under the ESAP by each Company Director and each of the five named Executives is detailed below. No securities were forfeited during the year.

|                           | Value of new securities<br>granted in year <sup>(1)</sup><br>\$ | Value of securities<br>vested in the year <sup>(2)</sup><br>\$ | Total value<br>in the year<br>\$ |
|---------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------|
| <b>Executive Director</b> |                                                                 |                                                                |                                  |
| Mr Gregory Goodman        | 1,060,000                                                       | 2,726,668                                                      | 3,786,668                        |
| <b>Executives</b>         |                                                                 |                                                                |                                  |
| Mr David van Aanholt      | 990,000                                                         | 2,973,000                                                      | 3,963,000                        |
| Mr Anthony Rozic          | 1,100,000                                                       | -                                                              | 1,100,000                        |
| Mr Nick Kurtis            | 1,045,000                                                       | 2,110,000                                                      | 3,155,000                        |
| Mr Michael O'Sullivan     | 935,000                                                         | 2,404,174                                                      | 3,339,174                        |

(1) The value of the loan in respect of securities granted in the year is the fair value of the securities calculated at grant date using a combination of Monte Carlo simulations and numerical option valuation in a lattice framework. The total value of the securities granted under this arrangement is included in the table above. This amount is allocated to remuneration over the vesting period of the security.

(2) The value of the limited recourse feature in respect of securities exercised during the year is calculated as the market price of securities on the ASX at close of trading on the date the securities were exercised after deducting the price paid or payable to exercise the security.

The proportion of bonuses included as remuneration for the year remaining unpaid at the end of the year is as follows:

|                           | 2007<br>% | 2006<br>% |
|---------------------------|-----------|-----------|
| <b>Executive Director</b> |           |           |
| Mr Gregory Goodman        | 64        | 65        |
| <b>Executives</b>         |           |           |
| Mr David van Aanholt      | 61        | 62        |
| Mr Anthony Rozic          | 60        | 55        |
| Mr Nick Kurtis            | 60        | 61        |
| Mr Michael O'Sullivan     | 61        | 61        |
| Mr Jeff Pulsford          | -         | -         |

#### Indemnification and insurance of officers and auditors

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

#### Environmental regulations

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

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

The Group Chief Executive Officer and the Group Chief Financial Officer declared in writing to the Board that, in their opinion, the financial records of the Company for the financial year have been properly maintained and the Company's financial reports for the financial year ended 30 June 2007 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

## Non-audit services

During the year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by a resolution of the Audit Committee, resolved that it is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

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

|                                                               | Consolidated   |                |
|---------------------------------------------------------------|----------------|----------------|
|                                                               | 2007<br>\$000  | 2006<br>\$000  |
| <b>Audit Services</b>                                         |                |                |
| Auditor of the Company:                                       |                |                |
| - Audit and review of financial reports (KPMG Australia)      | 805.1          | 585.0          |
| - Audit and review of financial reports (overseas KPMG firms) | 764.4          | 528.7          |
|                                                               | <b>1,569.5</b> | <b>1,113.7</b> |
| <b>Other Regulatory Services</b>                              |                |                |
| - Other regulatory services (KPMG Australia)                  | 50.1           | 51.0           |
| - Other regulatory services (overseas KPMG firms)             | 12.9           | 35.4           |
| <b>Other Assurance Services</b>                               |                |                |
| - Investigative accounting services (KPMG Australia)          | 48.1           | 1,101.7        |
| - Investigative accounting services (overseas KPMG firms)     | 176.6          | 367.3          |
| <b>Other Taxation Services</b>                                |                |                |
| - Taxation compliance services (KPMG Australia)               | 234.7          | 247.4          |
| - Taxation compliance services (overseas KPMG firms)          | 145.6          | 452.1          |
| - Other taxation advice (KPMG Australia)                      | 124.4          | 359.9          |
| - Other taxation advice (overseas KPMG firms)                 | 1,463.4        | 71.6           |
|                                                               | <b>2,255.8</b> | <b>2,686.4</b> |
| <b>Total paid/payable to KPMG</b>                             | <b>3,825.3</b> | <b>3,800.1</b> |
| <b>Other Auditors</b>                                         |                |                |
| - Audit and review of financial reports (non-KPMG firms)      | 66.3           | 9.7            |

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors' Report.

# Directors' Report (continued)

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

### Board of Directors

#### **Mr David S. Clarke, AO – Chairman**

**Appointed 26 October 2000**

David has been Chairman of Macquarie Bank Limited since 1 April 2007. He was previously Executive Chairman of Macquarie Bank from its formation in 1985 until 31 March 2007. From 1971 to 1977, he was Joint Managing Director of Hill Samuel Australia Limited (predecessor to Macquarie Bank Limited), from 1977 to 1984 Managing Director and from 1984 Executive Chairman. He is also Chairman of McGuigan Simeon Wines Limited (since 27 November 1991), Poole's Rock Wines Pty Limited (since 1 May 1970), the Wine Committee of the Royal Agricultural Society of NSW, the Opera Australia Capital Fund, the Sydney University Football Club Foundation and the George Gregan Foundation. He is a member of the Investment Advisory Committee of the Australian Olympic Foundation, a member of the Harvard Business School Asia Advisory Board, a member of the Seoul International Business Advisory Council and a member of the Bloomberg Asia Pacific Advisory Committee. He is also a member of Council of the Royal Agricultural Society of NSW and an honorary life member of the Financial Markets Foundation for Children. He is a member of the Corporate Governance Committee of the Australian Institute of Company Directors, Vice President of the Sydney University Cricket Club and a director of The Clayton Utz Foundation. He was previously Chairman of Macquarie ProLogis Management Limited (from 26 June 2002 until 31 March 2007), Macquarie Office Management Limited (from 30 June 1987 until 31 March 2007) and Macquarie CountryWide Management Limited (from 22 June 1995 until 31 March 2007), the management companies of Macquarie ProLogis Trust, Macquarie Office Trust and Macquarie CountryWide Trust respectively. Additionally, he was Chairman of the Sydney and Territorial Advisory Board of the Salvation Army (from 1999 until 2006), the Australian Rugby Union (from 1998 until 2001) and a member of the Board of Directors of the International Rugby Board (from 1998 until 2001).

#### **Dr David Teplitzky – Independent Deputy Chairman**

**Appointed 21 November 1990**

David has a PhD and honours degree in Engineering and a Bachelor of Science. He is a retired Regional Director of American Cyanamid Company and the former Managing Director of Cyanamid Australia, Formica Australia Limited and Lederle Pharmaceuticals Limited. David is a member of both the Group's Audit and Remuneration and Nomination Committees. He is Chairman of the Board of a US- based computer memory research company Symetrix Corporation and a director of the listed company, HiTec Energy Limited (since 18 March 2002). David has been active for many years in venture capital and high technology companies in Australia and South East Asia as a consultant and director.

#### **Mr Gregory Goodman – Group Chief Executive Officer**

**Appointed 7 August 1998**

Gregory is the Group Chief Executive Officer of Goodman and is responsible for its overall operations and the implementation of the strategic plan. He has 25 years of experience in the property industry with significant expertise in the industrial property arena. Gregory was a co-founder of Goodman and has played an integral role in establishing its specialist position in the market-place through various corporate transactions, including takeovers, mergers and acquisitions. He is a director of Ascendas-MGM Funds Management Limited, Goodman (NZ) Limited, Macquarie Goodman Hong Kong Logistics Fund and J-Rep Co., Limited.

#### **Ms Anne Keating – Independent Director**

**Appointed 23 February 2005**

Anne was the General Manager, Australia for United Airlines from 1993 to 2001. She was previously a director of Insurance Australia Group Limited (between 19 June 2000 and 10 November 2004 and prior to the demutualisation of NRMA, a director of NRMA Insurance Limited for four years). Anne is now a professional director with board positions in a range of industries including advertising, property, construction and banking. She is on the boards of Macquarie Leisure Management Limited (since 30 March 1998) and Macquarie Leisure Operations Limited (since 28 April 2003) being the management companies of Macquarie Leisure Trust Group, STW Communications Group Limited (since 17 May 1995) and Spencer Street Station Redevelopment Holdings Limited. Anne is also a member of the Advisory Council of ABN AMRO Australia and New Zealand and Governor of the Cerebral Palsy Foundation.

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

### **Mr Ian Ferrier, AM – Independent Director** **Appointed 1 September 2003**

Ian is a co-founder of Ferrier Hodgson. He is a Fellow of The Institute of Chartered Accountants in Australia and has 42 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of InvoCare Limited (since 8 March 2001), Australian Oil Limited (since 2 May 2005) and EnergyOne Limited (since 15 January 2007) and a director of McGuigan Simeon Wines Limited (since 20 November 1991) and Reckon Limited (since 17 August 2004). He was previously a director of MIA Group Limited (between 27 October 2003 and 30 September 2004). His experience is essentially concerned with understanding the financial and other issues confronting companies which require turnaround management, analysing those issues and implementing policies and strategies which lead to a successful rehabilitation. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

### **Mr Patrick Goodman – Non-Executive Director** **Appointed 14 April 1998**

Patrick is the Managing Director of Goodman Holdings Group, which is a major investor in Goodman. The diversified interests of Goodman Holdings Group initially focused on direct and indirect property development and have expanded to include the management of a diverse portfolio across sectors covering aviation, food, rural, private and listed equity, infrastructure and financial services globally.

Patrick is also a director of companies involved in information technology, property investment and management both in Australasia and the United States. During his 27 year career, Patrick has had considerable public and private company experience both domestically and internationally.

### **Mr John Harkness – Independent Director** **Appointed 23 February 2005**

John is a Fellow of The Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since retiring from KPMG in June 2000, John has held a number of non-executive director roles. He is currently Chairman of Lipa Pharmaceuticals Limited (since 17 June 2004), ICA Property Development Funds, Helmsman Capital Fund and Sydney Foundation for Medical Research. John is a director of Macquarie CountryWide Management Limited (since 18 August 2003), the management company of Macquarie CountryWide Trust and Crane Group Limited (since 1 September 2000). John is President of Northern Suburbs Rugby Football Club Limited and a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army.

### **Mr James Hodgkinson – Non-Executive Director** **Appointed 21 February 2003**

James is an Executive Director of Macquarie Bank Limited and Co-Head of Macquarie Bank Group's Real Estate Capital Division. His responsibilities include Macquarie Bank's interest in MGA Joint Venture. James was also Chief Executive Officer of Macquarie Industrial Trust for six years prior to that trust's merger with Goodman Industrial Trust. He is a director of Ascendas-MGM Funds Management Limited, Goodman (NZ) Limited, Macquarie Goodman Hong Kong Logistics Fund and J-Rep Co., Limited. James has previously been an alternate director of Macquarie CountryWide Management Limited (from 9 May 2001 to 17 November 2004), Macquarie Leisure Management Limited (from 16 May 2001 to 26 November 2004), Macquarie DDR Management Limited (from 8 October 2003 to 18 March 2005 and as a director from 19 August 2002 to 10 October 2003) and Macquarie ProLogis Management Limited (from 24 May 2002 to 9 June 2006), the management companies of Macquarie CountryWide Trust, Macquarie Leisure Trust, Macquarie DDR Trust and Macquarie ProLogis Trust respectively. He has a Bachelor of Economics, is a Certified Practising Accountant and is a Fellow of the Australian Property Institute. James has over 20 years of experience in property funds management, investment banking and chartered accounting.

### **Mr James Sloman, OAM – Independent Director** **Appointed 1 February 2006**

James has over 30 years of experience in the building and construction industries in Australia and overseas, including experience with Sir Robert McAlpine & Sons in London and Lend Lease Corporation in Australia and as Deputy Chief Executive and Chief Operating Officer of the Sydney Organising Committee for the Olympic Games (SOCOG) from 1997 to 2001. He is currently the Chief Executive Officer and a director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. MI Associates is working as advisors to the organisers of the London Olympic Games following its work on London's winning bid for the 2012 Olympic Games. With his range of experience, James brings significant expertise to Goodman.

# Directors' Report (continued)

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

### Mr Stephen Girdis – Alternate Director for Messrs David Clarke and James Hodgkinson Appointed 21 February 2003

Stephen is an Executive Director of Macquarie Bank Limited and the Global Head Macquarie Real Estate. He is a director of Macquarie DDR Management Limited (since 18 March 2005 and previously as an alternate director between 8 October 2003 and 18 March 2005) and Macquarie ProLogis Management Limited (since 21 March 2005 and an alternate director between 24 May 2002 and 21 March 2005), the management companies of Macquarie DDR Trust and Macquarie ProLogis Trust. Stephen was previously a director of Macquarie Leisure Management Limited (between 7 August 2003 and 18 May 2005), and an alternate director of Macquarie CountryWide Management Limited (between 16 August 1999 and 16 June 2005) and Macquarie Office Management Limited (between 16 August 1999 and 1 June 2005), the management companies of Macquarie Leisure Trust, Macquarie CountryWide Trust and Macquarie Office Trust respectively. He is currently Chairman of the Macquarie MEAG Prime REIT and is also a director of M3 Capital Partners LLC, Macquarie's global real estate investment banking joint venture. He has over 25 years experience in chartered accounting, property finance, funds management and investment banking and is an associate of The Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australasia. Stephen has a Bachelor of Commerce from the University of NSW.

### Company Secretary

#### Mr Carl Bicego – Company Secretary

Carl is the Company Secretary of the Company and its Australian subsidiaries as well as Legal Counsel – Head of Corporate in Australia. Carl has 10 years of legal experience in corporate law and joined Goodman from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons). He is an affiliate of Chartered Secretaries Australia.

## Events subsequent to balance date

On 2 July 2007, Macquarie Goodman Management Limited changed its name to Goodman International Limited. The names of certain controlled entities and managed funds have been amended. Refer to note 28 to the financial statements for details of these changes.

Subsequent to 30 June 2007 and up to the date of this report, Goodman:

- contracted to sell a portfolio of properties with carrying value of \$449.0 million in Australia to GAIF;
- invested a further \$245.2 million in ABPP and \$73.6 million in GAIF; and
- invested a further \$270.7 million in ING Industrial Fund, an entity listed in Australia on the ASX.

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

The lead auditor's independence declaration is set out on page 53 and forms part of the Directors' Report for the year.

## Rounding

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

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



David S. Clarke, AO  
Chairman

Sydney, 16 August 2007



Gregory Goodman  
Director

# Lead Auditor's Independence Declaration



## Under Section 307C of the Corporations Act 2001

To: The Directors of Goodman International Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2007 there have been:

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

A handwritten signature in black ink, appearing to read 'KPMG', written over a white rectangular background.

KPMG

A handwritten signature in black ink, appearing to read 'J Teer', written over a white rectangular background.

J Teer  
Partner

Sydney, 16 August 2007

# Income Statements

For the year ended 30 June 2007

|                                                               |      | Consolidated   |                | Parent Entity |               |
|---------------------------------------------------------------|------|----------------|----------------|---------------|---------------|
|                                                               | Note | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M   | 2006<br>\$M   |
| <b>Revenue</b>                                                |      |                |                |               |               |
| Gross property income                                         |      | 419.8          | 434.9          | –             | –             |
| Funds management                                              |      | 140.6          | 62.8           | –             | –             |
| Property services                                             |      | 65.0           | 9.4            | –             | –             |
| Development management                                        | 9    | 190.1          | 113.9          | –             | –             |
| Distributions from investments                                |      | 18.0           | 8.7            | –             | –             |
|                                                               |      | <b>833.5</b>   | <b>629.7</b>   | <b>–</b>      | <b>–</b>      |
| Property expenses                                             |      | (94.4)         | (90.5)         | –             | –             |
| Development expenses                                          | 9    | (134.4)        | (96.9)         | –             | –             |
|                                                               |      | <b>(228.8)</b> | <b>(187.4)</b> | <b>–</b>      | <b>–</b>      |
| <b>Other Income</b>                                           |      |                |                |               |               |
| Net gain from fair value adjustments on investment properties | 14   | 64.0           | 113.5          | –             | –             |
| Net gain on disposal of investment properties                 | 7    | 54.3           | 39.3           | –             | –             |
| Net gain on disposal of controlled entities                   | 7    | 114.2          | –              | –             | –             |
| Share of net results of associates and joint ventures         | 15   | 121.2          | 46.7           | –             | –             |
| Net gain on disposal of equity investments                    | 7    | 4.9            | 4.7            | –             | –             |
|                                                               |      | <b>358.6</b>   | <b>204.2</b>   | <b>–</b>      | <b>–</b>      |
| <b>Other Expenses</b>                                         |      |                |                |               |               |
| Employee expenses                                             |      | (109.2)        | (47.8)         | –             | –             |
| Administrative and other expenses                             |      | (100.8)        | (23.9)         | (1.0)         | (0.1)         |
|                                                               |      | <b>(210.0)</b> | <b>(71.7)</b>  | <b>(1.0)</b>  | <b>(0.1)</b>  |
| <b>Earnings before interest and tax</b>                       |      | <b>753.3</b>   | <b>574.8</b>   | <b>(1.0)</b>  | <b>(0.1)</b>  |
| <b>Financing Costs</b>                                        |      |                |                |               |               |
| Financial income                                              | 7    | 16.5           | 16.3           | 24.1          | 15.7          |
| Financial expenses                                            | 7    | (113.6)        | (85.3)         | (53.9)        | (26.8)        |
| <b>Net financing costs</b>                                    |      | <b>(97.1)</b>  | <b>(69.0)</b>  | <b>(29.8)</b> | <b>(11.1)</b> |
| <b>Profit/(loss) before income tax</b>                        | 7    | <b>656.2</b>   | <b>505.8</b>   | <b>(30.8)</b> | <b>(11.2)</b> |
| Income tax (expense)/benefit                                  | 8    | (33.5)         | (5.5)          | (0.1)         | 0.9           |
| <b>Profit/(loss) after income tax</b>                         |      | <b>622.7</b>   | <b>500.3</b>   | <b>(30.9)</b> | <b>(10.3)</b> |
| (Loss)/profit attributable to Shareholders                    |      | (3.6)          | 47.1           |               |               |
| Profit attributable to Unitholders                            |      | 626.1          | 453.0          |               |               |
| <b>Profit attributable to Securityholders</b>                 |      | <b>622.5</b>   | <b>500.1</b>   |               |               |
| Profit attributable to minority interests                     |      | 0.2            | 0.2            |               |               |
| <b>Profit after income tax</b>                                |      | <b>622.7</b>   | <b>500.3</b>   |               |               |
| Basic (loss)/earnings per Company share (¢)                   | 2    | (0.2)          | 3.2            |               |               |
| Diluted earnings per Company share (¢)                        | 2    | (0.2)          | 3.2            |               |               |

The Income Statements are to be read in conjunction with the accompanying notes.

# Balance Sheets

As at 30 June 2007

|                                                   | Note | Consolidated   |                | Parent Entity  |              |
|---------------------------------------------------|------|----------------|----------------|----------------|--------------|
|                                                   |      | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M    | 2006<br>\$M  |
| <b>Current Assets</b>                             |      |                |                |                |              |
| Cash                                              |      | 81.8           | 23.3           | 0.1            | 0.9          |
| Receivables                                       | 11   | 815.5          | 306.0          | 5.3            | 39.1         |
| Inventories                                       | 12   | 20.6           | 241.4          | –              | –            |
| Current tax receivables                           | 8(c) | 6.0            | 1.1            | 4.0            | 6.6          |
| Other assets                                      | 13   | 61.5           | 47.1           | –              | –            |
| <b>Total current assets</b>                       |      | <b>985.4</b>   | <b>618.9</b>   | <b>9.4</b>     | <b>46.6</b>  |
| <b>Non-current Assets</b>                         |      |                |                |                |              |
| Receivables                                       | 11   | 7.1            | 9.7            | 834.8          | 444.6        |
| Investment properties                             | 14   | 5,360.0        | 4,190.0        | –              | –            |
| Inventories                                       | 12   | 8.1            | 19.0           | –              | –            |
| Investments accounted for using the equity method | 15   | 1,092.1        | 475.2          | –              | –            |
| Deferred tax assets                               | 8(e) | 6.5            | 11.4           | 2.5            | 3.4          |
| Other financial assets                            | 16   | 407.0          | 231.2          | 476.6          | 363.3        |
| Property, plant and equipment                     | 17   | 21.3           | 12.2           | –              | –            |
| Intangible assets                                 | 18   | 1,281.8        | 1,185.6        | –              | –            |
| <b>Total non-current assets</b>                   |      | <b>8,183.9</b> | <b>6,134.3</b> | <b>1,313.9</b> | <b>811.3</b> |
| <b>Total assets</b>                               |      | <b>9,169.3</b> | <b>6,753.2</b> | <b>1,323.3</b> | <b>857.9</b> |
| <b>Current Liabilities</b>                        |      |                |                |                |              |
| Payables                                          | 19   | 324.6          | 235.2          | 25.0           | 58.9         |
| Current tax payable                               | 8(d) | 37.5           | 12.6           | –              | –            |
| Interest bearing liabilities                      | 20   | 2,276.6        | 1,192.4        | –              | –            |
| Provisions                                        | 21   | 143.0          | 113.1          | –              | –            |
| <b>Total current liabilities</b>                  |      | <b>2,781.7</b> | <b>1,553.3</b> | <b>25.0</b>    | <b>58.9</b>  |
| <b>Non-current Liabilities</b>                    |      |                |                |                |              |
| Payables                                          | 19   | 105.3          | 204.0          | 568.9          | 8.6          |
| Interest bearing liabilities                      | 20   | 1,585.0        | 979.9          | 655.2          | 730.0        |
| Deferred tax liabilities                          | 8(e) | 96.2           | 24.7           | 0.4            | 0.1          |
| Provisions                                        | 21   | 22.9           | 20.0           | –              | –            |
| <b>Total non-current liabilities</b>              |      | <b>1,809.4</b> | <b>1,228.6</b> | <b>1,224.5</b> | <b>738.7</b> |
| <b>Total liabilities</b>                          |      | <b>4,591.1</b> | <b>2,781.9</b> | <b>1,249.5</b> | <b>797.6</b> |
| <b>Net assets</b>                                 |      | <b>4,578.2</b> | <b>3,971.3</b> | <b>73.8</b>    | <b>60.3</b>  |
| <b>Equity Attributable to Shareholders</b>        |      |                |                |                |              |
| Issued capital                                    | 22   | 178.9          | 161.4          | 178.9          | 161.4        |
| Reserves                                          | 23   | 126.9          | 58.7           | 44.9           | 17.9         |
| Accumulated losses                                | 24   | (57.4)         | (63.3)         | (150.0)        | (119.0)      |
| <b>Total equity attributable to Shareholders</b>  |      | <b>248.4</b>   | <b>156.8</b>   | <b>73.8</b>    | <b>60.3</b>  |
| <b>Minority Interests</b>                         |      |                |                |                |              |
| <b>Equity Attributable to Unitholders</b>         |      |                |                |                |              |
| Issued capital                                    | 22   | 3,993.2        | 3,620.2        |                |              |
| Reserves                                          | 23   | 254.9          | 109.8          |                |              |
| Retained earnings                                 | 24   | 58.0           | 63.3           |                |              |
| <b>Total equity attributable to Unitholders</b>   |      | <b>4,306.1</b> | <b>3,793.3</b> |                |              |
| Other minority interests                          | 25   | 23.7           | 21.2           |                |              |
| <b>Total equity</b>                               |      | <b>4,578.2</b> | <b>3,971.3</b> | <b>73.8</b>    | <b>60.3</b>  |

The Balance Sheets are to be read in conjunction with the accompanying notes.

# Statements of Recognised Income and Expense

For the year ended 30 June 2007

|                                                                      |       | Consolidated |               | Parent Entity |               |
|----------------------------------------------------------------------|-------|--------------|---------------|---------------|---------------|
|                                                                      | Note  | 2007<br>\$M  | 2006<br>\$M   | 2007<br>\$M   | 2006<br>\$M   |
| Amounts recognised directly in equity, net of tax:                   |       |              |               |               |               |
| Foreign exchange translation differences                             | 23    | (5.8)        | (3.8)         | –             | –             |
| Cash flow hedges:                                                    |       |              |               |               |               |
| – Gains taken directly to equity                                     | 23    | 45.0         | 30.0          | –             | 0.4           |
| – Gains transferred from/(to) Income Statement                       | 23    | 1.0          | (10.3)        | –             | –             |
| Change in fair value of available-for-sale equity securities         | 23    | 54.0         | 15.1          | –             | –             |
| Actuarial (deficit)/gain on defined benefit superannuation funds     | 23    | (4.0)        | 2.7           | –             | –             |
| <b>Net income recognised directly in equity</b>                      |       | <b>90.2</b>  | <b>33.7</b>   | <b>–</b>      | <b>0.4</b>    |
| <b>Profit/(loss) for the year</b>                                    |       | <b>622.7</b> | <b>500.3</b>  | <b>(30.9)</b> | <b>(10.3)</b> |
| <b>Total recognised income and expense</b>                           |       | <b>712.9</b> | <b>534.0</b>  | <b>(30.9)</b> | <b>(9.9)</b>  |
| Attributable to:                                                     |       |              |               |               |               |
| – Securityholders                                                    |       | 712.7        | 533.8         | (30.9)        | (9.9)         |
| – Minority interests                                                 |       | 0.2          | 0.2           | –             | –             |
| <b>Total recognised income and expense</b>                           |       | <b>712.9</b> | <b>534.0</b>  | <b>(30.9)</b> | <b>(9.9)</b>  |
| <b>Impact of change in accounting policy – financial instruments</b> |       |              |               |               |               |
| Securityholders                                                      | 23,24 | –            | (14.9)        | –             | –             |
| Minority interests                                                   |       | –            | –             | –             | –             |
|                                                                      |       | <b>–</b>     | <b>(14.9)</b> | <b>–</b>      | <b>–</b>      |

The Statements of Recognised Income and Expense are to be read in conjunction with the accompanying notes.

# Cash Flow Statements

For the year ended 30 June 2007

|                                                                                          |       | Consolidated     |                  | Parent Entity |                |
|------------------------------------------------------------------------------------------|-------|------------------|------------------|---------------|----------------|
|                                                                                          | Note  | 2007<br>\$M      | 2006<br>\$M      | 2007<br>\$M   | 2006<br>\$M    |
| <b>Cash Flows from Operating Activities</b>                                              |       |                  |                  |               |                |
| Property income received                                                                 |       | 416.3            | 408.3            | –             | –              |
| Other cash receipts from services provided                                               |       | 151.3            | 112.2            | 8.3           | –              |
| Property expenses paid                                                                   |       | (99.4)           | (98.3)           | –             | –              |
| Other cash payments in the course of operations                                          |       | (146.8)          | (85.4)           | (0.1)         | (0.1)          |
| Dividends/distributions received                                                         |       | 62.1             | 23.4             | –             | 7.0            |
| Interest received                                                                        |       | 5.6              | 3.4              | 3.6           | 15.7           |
| Finance costs paid                                                                       |       | (47.6)           | (86.8)           | –             | (26.7)         |
| Income taxes (paid)/refunded, net                                                        |       | (7.5)            | (3.2)            | 4.6           | (3.7)          |
| <b>Net cash provided by/(used in) operating activities</b>                               | 27(b) | <b>334.0</b>     | <b>273.6</b>     | <b>16.4</b>   | <b>(7.8)</b>   |
| <b>Cash Flows from Investing Activities</b>                                              |       |                  |                  |               |                |
| Proceeds from deferred settlement and sale of investment properties                      |       | 600.9            | 509.4            | –             | –              |
| Acquisition of controlled entities (net of cash acquired)                                | 3     | (639.4)          | (867.8)          | (34.6)        | –              |
| Proceeds from sale of equity investments (net of cash disposed)                          |       | 357.6            | 542.6            | –             | –              |
| Payments for equity investments                                                          |       | (833.5)          | (264.0)          | (0.2)         | (150.1)        |
| Payments for investment properties and developments                                      |       | (1,135.5)        | (1,375.0)        | –             | –              |
| Payments for property, plant and equipment                                               |       | (8.9)            | (5.0)            | –             | –              |
| <b>Net cash used in investing activities</b>                                             |       | <b>(1,658.8)</b> | <b>(1,459.8)</b> | <b>(34.8)</b> | <b>(150.1)</b> |
| <b>Cash Flows from Financing Activities</b>                                              |       |                  |                  |               |                |
| Proceeds from issue of securities                                                        |       | 89.2             | 386.2            | 13.6          | –              |
| Transaction costs from issue of securities                                               |       | (0.2)            | (8.0)            | –             | –              |
| Loans from controlled entities                                                           |       | –                | –                | 4.5           | 166.4          |
| Loans from/(to) related entities                                                         |       | 4.8              | (27.5)           | (0.5)         | (2.0)          |
| Proceeds from borrowings                                                                 |       | 5,839.8          | 3,258.2          | –             | –              |
| Repayment of borrowings                                                                  |       | (4,320.7)        | (2,316.3)        | –             | (5.7)          |
| Dividends and distributions paid                                                         |       | (229.6)          | (90.3)           | –             | –              |
| <b>Net cash provided by financing activities</b>                                         |       | <b>1,383.3</b>   | <b>1,202.3</b>   | <b>17.6</b>   | <b>158.7</b>   |
| <b>Net increase/(decrease) in cash held</b>                                              |       | <b>58.5</b>      | <b>16.1</b>      | <b>(0.8)</b>  | <b>0.8</b>     |
| Cash at the beginning of the year                                                        |       | 23.3             | 7.2              | 0.9           | 0.1            |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies |       | –                | –                | –             | –              |
| <b>Cash at the end of the year</b>                                                       | 27(a) | <b>81.8</b>      | <b>23.3</b>      | <b>0.1</b>    | <b>0.9</b>     |

The Cash Flow Statements are to be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 1 Statement of significant accounting policies

Goodman International Limited ("Company") is a company domiciled in Australia. The consolidated Financial Report of the Company as at and for the year ended 30 June 2007 comprises the Company and its controlled entities (together the "Consolidated Entity") and the Consolidated Entity's interest in associates and joint ventures.

### Statement of compliance

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

The consolidated Financial Report is presented in Australian dollars and was authorised for issue by the Directors on 16 August 2007.

The significant accounting policies which have been adopted in the preparation of the Financial Report are set out below.

#### (a) Basis of preparation of the Financial Report

The Financial Report is prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: investment properties, derivative financial instruments, and measured at fair value financial instruments classified as available for sale, measured at fair value, and liabilities for cash settled share based payment arrangements measured at fair value.

#### (b) Principles of consolidation

##### Accounting for the Acquisition of Control of Goodman Industrial Trust ("GIT")

The merger of the Company and GIT was approved at separate meetings of the respective Shareholders and Unitholders on 25 January 2005. Following approval of the merger, shares in the Company and units in GIT were stapled to one another and are quoted as a single security on the ASX.

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

- (i) no goodwill is recognised on acquisition of GIT because no direct ownership interest was acquired by the Company in GIT;
- (ii) the equity issued by the Company to Unitholders to give effect to the transaction is recognised at the dollar value of the consideration payable by the Unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purposes of the Company acquiring an ownership interest in GIT; and
- (iii) the issued units of GIT which are not owned by the Company are presented as minority interests in the Consolidated Entity notwithstanding that the Unitholders are also the Shareholders by virtue of the stapling arrangement. Accordingly, the equity in the net assets of GIT and the profit arising from those net assets have been separately identified in the Income Statement and Balance Sheet.

#### Controlled Entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 30 June 2007 and the results of all such entities for the year ended 30 June 2007.

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

Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements.

#### Associates

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

## Note 1 Statement of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

#### Joint Ventures

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

##### *Joint Venture Entities*

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

The Consolidated Entity's share of the joint venture entity's net profit or loss is recognised in the consolidated profit and loss from the date joint control commences. Other movements in reserves are recognised directly in the consolidated reserves.

##### *Joint Venture Operations and Jointly Controlled Assets*

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

##### *Transactions Eliminated on Consolidation*

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

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

### (c) Revenue recognition

#### Rental Income

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 as a reduction of gross operating lease rental income.

#### Recoverable Outgoings

Recovery of certain outgoings is accrued on an estimated basis and adjusted when the actual amounts are invoiced to respective customers.

#### Rendering of Services

Fee income derived from funds management and property services is recognised progressively as the services are provided.

Revenue and expenses relating to construction contracts are recognised in profit or loss 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 profit and loss.

#### Financial Income

##### *Interest*

Interest is brought to account on an accruals basis and, if not received at balance date, is reflected in the Balance Sheet as a receivable.

##### *Dividends and Distributions*

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

Distributions are recognised when they are declared by the distributing entities and before deduction of any withholding tax.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 1 Statement of significant accounting policies (continued)

### (d) Foreign currency translation

#### Functional and Presentation Currency

Items included in the financial statements of each of the Company's controlled entities are measured using the currency of the primary economic environment in which the entity operates (the 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 Australian currency at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Resulting exchange differences are recognised in profit or loss.

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

#### Translation of Controlled Foreign Operations

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

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

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

#### Exchange Rates Used

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

|                         | Weighted Average |        | As at 30 June |        |
|-------------------------|------------------|--------|---------------|--------|
|                         | 2007             | 2006   | 2007          | 2006   |
| New Zealand dollar      | 1.1475           | 1.1166 | 1.1045        | 1.1900 |
| Singapore dollar        | 1.2165           | 1.2317 | 1.2879        | 1.1782 |
| Hong Kong dollar        | 6.1262           | 5.8044 | 6.5438        | 5.7261 |
| United States dollar    | 0.7857           | 0.7479 | 0.8474        | 0.7427 |
| European euro           | 0.6016           | 0.5849 | 0.6293        | 0.5873 |
| British pounds sterling | 0.4065           | 0.4210 | 0.4241        | 0.4009 |
| Japanese yen            | 93.0993          | N/A    | 104.5500      | N/A    |

### (e) Investment properties

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

#### Components of Investment Properties

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

Investment property carrying values include the costs of acquiring the properties. 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.

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 lease term 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 lease term in proportion to the rental income recognised in each financial year.

## Note 1 Statement of significant accounting policies (continued)

### (e) Investment properties (continued)

#### Revaluations of Investment Properties

An independent valuation of 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 valuer determines 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 profit or loss. The net of unrealised revaluations from investment properties is transferred to the asset revaluation reserve.

#### 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 and is included in the profit or loss in the period of disposal. The balance of unrealised gains for the individual properties is transferred to the capital profits reserve.

#### Redevelopment Projects

Where a property is undergoing redevelopment works, the cost of the redevelopment works is added to its previously stated fair value.

The carrying amounts of redevelopment projects are reviewed to determine whether they are in excess of their recoverable amount at each reporting date. If the carrying amount of a redevelopment project exceeds its recoverable amount, the project is written down to the lower amount. The Consolidated Entity's policy is to revalue redevelopment properties to their fair value at the date of their practical completion.

#### Development Costs of Investment Properties

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.

The costs of development are included within investment properties. The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at the reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised in the profit or loss in the period in which it occurs.

The Consolidated Entity's policy is to revalue development properties to their fair value at the date of their practical completion.

### (f) Receivables

Trade debtors and rental debtors due within 30 days are not discounted (refer to note 1(l) for details of impairment). The collectibility of trade debtors is assessed at the reporting date. Debts which are known to be uncollectable are written off. An allowance for doubtful debts is made when some doubt as to collection exists.

Construction work in progress under contract is 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.

### (g) Inventories

Work in progress in respect of construction projects, land subdivision and development projects includes the costs of acquisition, planning, management, development and holding costs such as rates and taxes. Work in progress is carried at the lower of cost and net realisable value.

### (h) Property, plant and equipment

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

| Property, plant and equipment | Useful Lives  |
|-------------------------------|---------------|
| Leasehold improvements        | 4 to 10 years |
| Plant and equipment           | 2 to 15 years |

Refer also to note 1(k) in respect of leased property, plant and equipment.

### (i) Finance costs

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and recognised as an interest expense on an effective yield basis over the life of the facility. Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed as incurred.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 1 Statement of significant accounting policies (continued)

### (j) Investments

#### Investments in Equity Securities

Investments held for trading are classified as current assets and are stated at fair value with any resultant gain or loss recognised in profit or loss.

Other investments held by the Consolidated Entity (apart from investments in associates and joint ventures) are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in profit or loss.

Investments in listed entities which are designated as available-for-sale (other than investments in listed associates) are measured at fair value which is determined with reference to quoted bid price at reporting date. Changes in the fair value of such investments are recognised in equity, except for impairment losses. When investments classified as available-for-sale are sold, the accumulated fair value adjustments are included in the profit or loss as gains or losses from disposal of investment securities.

### (k) Leased assets

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

#### Finance Leases

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

#### Finance Lease Payments

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

#### Operating Lease Payments

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

### (l) Impairment

The carrying amounts of the Consolidated Entity's assets (except deferred tax assets, inventories and investment properties) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The write-down is expensed in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss, 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 profit or loss.

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

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 recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### Calculation of Recoverable Amount

The recoverable amount of the Consolidated Entity's investments in held-to-maturity securities and 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. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

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.

## Note 1 Statement of significant accounting policies (continued)

### (l) Impairment (continued)

#### Reversals of Impairment

Impairment losses, other than those in respect of goodwill, 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.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

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

Where a group of assets working together supports the generation of cash inflows, 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.

### (m) Interest bearing liabilities

Interest bearing liabilities are recognised on inception at their fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference being recognised in the profit or loss over the period of the borrowings on an effective interest basis, subject to set-off arrangements. Unpaid interest is accrued at the contracted rate and included in the Balance Sheet under current payables.

### (n) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received by the Consolidated Entity prior to the end of the year.

### (o) Provisions

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

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

#### Dividends and Distributions Payable

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

### (p) Derivative financial instruments and hedging

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

Transactions are designated as a hedge of the anticipated specific purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, only when they are expected to reduce exposure to the risks being hedged and are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated.

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

#### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in equity. The gain or loss relating to any ineffective portion is recognised in the Income Statement.

#### Hedges of Net Investment in Foreign Operation

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

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 1 Statement of significant accounting policies (continued)

### (q) Intangible assets

All business combinations on or after 1 July 2004 are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

#### Management Rights

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

#### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. No amortisation is provided. Goodwill is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Valuation methods based on multiples of pre-tax earnings are used to estimate the recoverable value of the reporting unit. Where the recoverable amount of the reporting unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the profit or loss.

### (r) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not accounted for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

#### Tax Consolidation

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

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

#### Goodman Industrial Trust and its Controlled Entities

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

### (s) Goods and services tax ("GST")

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

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

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

## Note 1 Statement of significant accounting policies (continued)

### (t) 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 wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

#### Long-term Service Benefits

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

#### Defined Contribution Superannuation Funds

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

#### Defined Benefit Superannuation Funds

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

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

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

#### Employee Securities Acquisition Plan ("ESAP")

Because of the limited recourse nature of certain loans provided to employees in respect of securities granted to them under the terms of the ESAP, the value of the limited recourse feature of those loans is required to be accounted for as an option. The fair value of options is expensed with a corresponding increase in the employee compensation reserve. The options expense is calculated on a straight-line basis over the year to the vesting date and assumes that all conditions of the grant and employee service will be met. The fair value of options is measured at grant date using a combination of Monte Carlo simulations and models using a lattice framework.

Where the Company has issued or purchased securities in advance of ESAP vesting conditions being met by employees, the Company recognises the amount payable to GIT as a payable and the related asset as an increase in its investment in GIT. On vesting of the securities, the Company reduces its investment in GIT and transfers the related option expense from employee compensation reserve to retained earnings. On consolidation, the cost of the ESAP securities is recognised as Treasury Securities. These securities are treated as ordinary issued securities only when the vesting conditions of these securities under the ESAP have been met.

The above accounting policy has not been applied to options that were issued prior to 7 November 2002 but vested before 1 January 2005.

### (u) Segment reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Segment assets and liabilities include all assets and liabilities used by a segment which can be directly attributed to segment activity, excluding interest bearing receivables and payables, derivative financial instruments, provision for distributions to Securityholders and tax assets and liabilities. Segment revenue and expenses exclude the income statement effect of these non-segment assets and liabilities.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 1 Statement of significant accounting policies (continued)

### (v) Australian Accounting Standards issued but not yet effective

As at the date of this Financial Report, the following new and revised accounting standards on issue with mandatory application dates after the end of the current reporting period are available for early adoption at 30 June 2007:

- AASB 7 Financial Instruments: Disclosures (August 2005);
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005);
- AASB 8 Operating Segments;
- AASB 2007-3 Amendments to Australian Accounting Standards;
- Interpretation 10 Interim Financial Reporting and Impairment;
- Interpretation 11 AASB 2 Share-based Payment – Group and Treasury Share Transactions;
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11;
- Interpretation 12 Service Concession Arrangements;
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12; and
- AASB 2007-2 Amendments to Australian Accounting Standards.

The Consolidated Entity has not early adopted any accounting standards. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact on the type of information disclosed in relation to the Consolidated Entity's financial statements.

### (w) Rounding

In accordance with Australian Securities and Investments Commission Class Order 98/100 (as amended), the amounts shown in the Financial Report and Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

### (x) Comparative Figures

Where applicable, certain comparative figures have been restated to conform with the presentation in the current year's Financial Report.

## Note 2 Earnings per Company share

|                                                                                                                     |      | Consolidated  |               |
|---------------------------------------------------------------------------------------------------------------------|------|---------------|---------------|
|                                                                                                                     | Note | 2007<br>¢     | 2006<br>¢     |
| Attributable to Securityholders                                                                                     |      |               |               |
| Basic earnings per security                                                                                         | 2(a) | 38.3          | 34.6          |
| Basic (loss)/earnings per Company share                                                                             | 2(a) | (0.2)         | 3.2           |
| Diluted earnings per security                                                                                       | 2(a) | 38.0          | 34.3          |
| Diluted (loss)/earnings per Company share                                                                           | 2(a) | (0.2)         | 3.2           |
| Distribution per security                                                                                           | 2(b) | 31.5          | 27.5          |
| Number of securities                                                                                                |      |               |               |
|                                                                                                                     |      | 2007          | 2006          |
| Weighted average number of securities used in calculating basic earnings per security and distribution per security |      | 1,624,294,734 | 1,447,031,063 |
| Effect of securities issued under the ESAP accounted for as Treasury Securities                                     |      | 33,018,447    | 14,493,370    |
| Effect of executive options on issue                                                                                |      | 38,604,104    | 7,178,376     |
| Effect of Reset Preference Units (“RePS”) conversion                                                                |      | –             | 11,579,383    |
| Weighted average number of securities used in calculating diluted earnings per security                             |      | 1,695,917,285 | 1,480,282,192 |

### (a) Profit after tax used in calculating earnings per Company share

|                                                                                          | 2007<br>\$M  | 2006<br>\$M  |
|------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Consolidated</b>                                                                      |              |              |
| Profit after tax used in calculating basic earnings per security                         | 622.5        | 500.1        |
| Effect of Treasury Securities and Options                                                | 22.0         | 4.5          |
| RePS interest                                                                            | –            | 2.5          |
| <b>Profit after tax used in calculating diluted earnings per security</b>                | <b>644.5</b> | <b>507.1</b> |
| <b>Company</b>                                                                           |              |              |
| (Loss)/profit after tax used in calculating basic and diluted earnings per Company share | (3.6)        | 47.1         |

### (b) Dividends and distributions used in calculating distribution per Company share

Total distributions for the year made by GIT equal 31.5 cents per security (2006: 27.5 cents per security). Details of the dates of payment are set out in note 10. No dividends were declared or paid by the Company during the year (2006: nil).

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 3 Acquisitions of controlled entities

The Consolidated Entity acquired all of the issued share capital of a group of entities which owned a portfolio of eight completed properties in the United Kingdom (collectively "Lighthouse"), a fund manager which also held three properties located in Europe called Akeler Holdings ("Akeler"), and a property investment and development business in the United Kingdom, comprising Rosemound Developments Limited and Rosehill TopCo Limited ("Rosemound") on 20 September 2006, 14 November 2006 and 13 April 2007 respectively.

The effects of the acquisitions on the Consolidated Entity's assets and liabilities were as follows:

|                                                                | Lighthouse<br>\$M | Akeler<br>\$M | Rosemound<br>\$M | Total<br>\$M |
|----------------------------------------------------------------|-------------------|---------------|------------------|--------------|
| Cash                                                           | 14.6              | –             | 11.7             | 26.3         |
| Receivables                                                    | –                 | –             | 76.2             | 76.2         |
| Investments accounted for using the equity method              | –                 | –             | 11.0             | 11.0         |
| Investment properties                                          | 445.9             | 79.2          | 553.0            | 1,078.1      |
| Property, plant and equipment                                  | –                 | –             | 0.2              | 0.2          |
| Payables                                                       | (6.7)             | (6.9)         | (47.4)           | (61.0)       |
| Interest bearing liabilities                                   | (242.9)           | (26.3)        | (416.6)          | (685.8)      |
| Deferred tax liabilities                                       | –                 | –             | (44.9)           | (44.9)       |
| <b>Net identifiable assets and liabilities</b>                 | <b>210.9</b>      | <b>46.0</b>   | <b>143.2</b>     | <b>400.1</b> |
| Add: Intangible assets on acquisition                          | –                 | 60.6          | 124.8            | 185.4        |
| <b>Total consideration payable</b>                             | <b>210.9</b>      | <b>106.6</b>  | <b>268.0</b>     | <b>585.5</b> |
| Less: Amounts unpaid at 30 June 2007                           | (4.5)             | (13.6)        | (12.9)           | (31.0)       |
| <b>Gross cash outflow</b>                                      | <b>206.4</b>      | <b>93.0</b>   | <b>255.1</b>     | <b>554.5</b> |
| Cash held by controlled entities on acquisition                | (14.6)            | –             | (11.7)           | (26.3)       |
| <b>Net cash outflow (excluding prior year acquisitions)</b>    | <b>191.8</b>      | <b>93.0</b>   | <b>243.4</b>     | <b>528.2</b> |
| Deferred settlements on prior year acquisitions <sup>(1)</sup> |                   |               |                  | 111.2        |
| <b>Net cash outflow</b>                                        |                   |               |                  | <b>639.4</b> |

(1) Amounts paid relate to the deferred settlements on entities acquired prior to 30 June 2006 and are as follows: Highbrook Development Limited (\$19.5 million), Arlington Securities Limited (\$4.0 million) and Eurinpro International SA (\$87.7 million); these amounts were provided for at 30 June 2006.

The fair value adjustments on acquisition of Rosemound resulted in an increase in investment property values of \$152.5 million, and deferred tax liabilities of \$45.8 million. All other net identifiable assets and liabilities relating to the acquisitions of Akeler and Lighthouse shown above have been stated at their carrying value prior to acquisition as there were no fair value adjustments. Amounts of \$60.6 million and \$124.8 million were recognised as management rights and goodwill as a result of the Akeler and Rosemound acquisitions respectively.

Details of the entities acquired are set out below.

| Entity acquired | Principal activity                  | Date of acquisition | Actual contribution since acquisition |                                    | Contribution if acquisition took place on 1 Jul 2006 |                                    |
|-----------------|-------------------------------------|---------------------|---------------------------------------|------------------------------------|------------------------------------------------------|------------------------------------|
|                 |                                     |                     | Revenue<br>\$M                        | (Loss)/profit<br>before tax<br>\$M | Revenue<br>\$M                                       | (Loss)/profit<br>before tax<br>\$M |
| Akeler          | Property investment and management  | 14 Nov 06           | 1.4                                   | (3.7)                              | 2.4                                                  | (6.4)                              |
| Lighthouse      | Property investment                 | 20 Sep 06           | 15.9                                  | 3.7                                | 21.3                                                 | 4.9                                |
| Rosemound       | Property Investment and development | 13 Apr 07           | 0.8                                   | (1.4)                              | 35.0                                                 | 27.7                               |

As a result of the Rosemound acquisition, the Consolidated Entity has contingent liabilities of up to \$165.1 million which relate to future earnings of the acquired business and obtaining development approvals on certain land parcels.

## Note 3 Acquisitions of controlled entities (continued)

### Year ended 30 June 2006

The Consolidated Entity acquired all of the issued share capital of Arlington Securities Ltd ("Arlington") and of Eurinpro International SA ("Eurinpro") on 23 December 2005 and 1 June 2006 respectively. The Consolidated Entity also acquired 60% of the issued equity of Ascendas Global Gateway Pte Limited ("AGG Singapore"), a Singapore company, and all of the issued share capital of Growth Link Limited ("Growth Link"), a Hong Kong company.

The effect of the acquisitions on the Consolidated Entity's assets and liabilities was as follows:

|                                                              | Arlington<br>\$M | Eurinpro<br>\$M | Other<br>\$M | Total<br>\$M   |
|--------------------------------------------------------------|------------------|-----------------|--------------|----------------|
| Cash                                                         | 37.2             | 7.8             | 1.1          | 46.1           |
| Receivables                                                  | 48.6             | 15.5            | 0.2          | 64.3           |
| Inventories                                                  | -                | 245.4           | -            | 245.4          |
| Investments in listed funds                                  | 10.7             | -               | -            | 10.7           |
| Investments in unlisted funds                                | 87.2             | -               | -            | 87.2           |
| Investments accounted for using the equity method            | 18.8             | -               | -            | 18.8           |
| Investment properties                                        | -                | -               | 76.5         | 76.5           |
| Property, plant and equipment                                | -                | 5.1             | -            | 5.1            |
| Other assets                                                 | -                | 0.9             | -            | 0.9            |
| Payables                                                     | (75.7)           | (36.5)          | (1.2)        | (113.4)        |
| Interest bearing liabilities                                 | (73.0)           | (160.9)         | (12.9)       | (246.8)        |
| Deferred tax liabilities                                     | (5.9)            | -               | (0.3)        | (6.2)          |
| <b>Net identifiable assets and liabilities<sup>(1)</sup></b> | <b>47.9</b>      | <b>77.3</b>     | <b>63.4</b>  | <b>188.6</b>   |
| Less: Minority interests                                     | -                | -               | (2.6)        | (2.6)          |
| Add: Intangible assets on acquisition                        | 456.9            | 705.3           | -            | 1,162.2        |
| <b>Total consideration payable</b>                           | <b>504.8</b>     | <b>782.6</b>    | <b>60.8</b>  | <b>1,348.2</b> |
| Less:                                                        |                  |                 |              |                |
| Issue of securities                                          | -                | (170.8)         | -            | (170.8)        |
| Deferred settlements unpaid at 30 June 2006                  | (68.8)           | (119.4)         | -            | (188.2)        |
| Transaction costs unpaid at 30 June 2006                     | (17.3)           | (58.0)          | -            | (75.3)         |
| <b>Gross cash outflow<sup>(2)</sup></b>                      | <b>418.7</b>     | <b>434.4</b>    | <b>60.8</b>  | <b>913.9</b>   |
| Cash held by controlled entities on acquisition              | (37.2)           | (7.8)           | (1.1)        | (46.1)         |
| <b>Net cash outflow</b>                                      | <b>381.5</b>     | <b>426.6</b>    | <b>59.7</b>  | <b>867.8</b>   |

(1) The net identifiable assets and liabilities shown above have been stated after fair value adjustments. For Arlington, fair value adjustments reduced net assets and liabilities on acquisition by \$128.8 million, and related to intangible assets (reduction of \$98.3 million), deferred taxes (reduction of \$5.9 million), defined benefit pension liability (reduction of \$3.1 million), property, plant and equipment (reduction of \$7.2 million), income tax payable (reduction of \$7.6 million), interest bearing liabilities (reduction of \$3.1 million) and equity accounted investments (increase of \$8.1 million). For Eurinpro, the fair value adjustment increased the balance of construction contract receivables by \$9.9 million.

(2) The gross cash outflow includes transaction costs paid of \$41.6 million.

The Consolidated Entity issued 33,483,220 securities at \$5.10 per security on 1 June 2006 to acquire Eurinpro. The value per security differs from the published price at that date, being \$5.77, but is equal to the price paid by institutional and sophisticated investors for securities issued on 31 May 2006. The difference between the value attributed to, and the published price of, the securities issued to acquire Eurinpro is \$22.4 million.

Goodwill has arisen on the acquisition of Eurinpro because future anticipated economic benefits from that entity do not meet the criteria for recognition as intangible assets at the date of acquisition.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 3 Acquisitions of controlled entities (continued)

Details of the entities acquired are set out below:

| Entity acquired            | Principal activity        | Date of acquisition | Actual contribution since acquisition |                                    | Contribution if acquisition took place on 1 July 2005 |                                    |
|----------------------------|---------------------------|---------------------|---------------------------------------|------------------------------------|-------------------------------------------------------|------------------------------------|
|                            |                           |                     | Revenue<br>\$M                        | Profit/(loss)<br>before tax<br>\$M | Revenue<br>\$M                                        | Profit/(loss)<br>before tax<br>\$M |
| Arlington                  | Property asset management | 23 Dec 2005         | 68.1                                  | 30.1                               | 15.9                                                  | 5.9                                |
| Eurinpro                   | Property development      | 1 Jun 2006          | 1.2                                   | 2.3                                | (1)                                                   | (1)                                |
| Growth Link <sup>(2)</sup> | Property investment       | 30 Aug 2005         | 0.8                                   | 0.2                                | 1.2                                                   | 0.4                                |
| AGG Singapore              | Property investment       | 4 Oct 2005          | 0.8                                   | (0.3)                              | 1.1                                                   | (0.4)                              |

(1) It was not practicable to calculate the revenue or profit contribution to the Consolidated Entity if the acquisition had taken place on 1 July 2005, as the likelihood of disposal of industrial properties created by Eurinpro to third parties not managed by the Consolidated Entity had changed. Eurinpro's consolidated profit for the 12 months to 31 December 2005 per its audited financial statements was Euro 27.5 million.

(2) Growth Link forms part of the Macquarie Goodman Hong Kong Logistics Fund. During the period from acquisition to the launch of the Macquarie Goodman Hong Kong Logistics Fund, Growth Link contributed \$0.2 million to consolidated profit after tax.

## Note 4 Disposals of interests in controlled entities

|                                                                                                       | Total<br>\$M |
|-------------------------------------------------------------------------------------------------------|--------------|
| Proceeds received on launch of Goodman European Logistics Fund ("GELF") – refer (a)                   | 121.0        |
| Proceeds received on disposal of second tranche of SPVs into GELF ("GELF second tranche") – refer (b) | 40.1         |
| Proceeds received on disposal of Lighthouse Office SPVs ("Lighthouse") – refer (c)                    | 78.6         |
| Proceeds received on disposal of MGA Direct Property Trust ("DPT") – refer (d)                        | 39.5         |
| Proceeds received on the disposal of other controlled entities – refer (e)                            | 24.6         |
| <b>Net cash inflow</b>                                                                                | <b>303.8</b> |

### (a) Launch of GELF

On 20 December 2006, Goodman sold 100% of the issued capital of Arlington Investments (Luxembourg) SARL (formerly Macquarie Goodman Investments (Luxembourg) SARL) to GELF. The principal effect of the disposal was a decrease in the investment properties of the Consolidated Entity of \$274.6 million and a decrease in interest bearing liabilities of \$255.6 million.

Up to the date of the disposal of the equity, Arlington Investments (Luxembourg) SARL had contributed \$3.3 million to the Consolidated Entity's revenue and profit after tax for the year.

### (b) GELF second tranche

In May and June 2007, a controlled entity disposed of the entire issued capital of seven entities which held development properties located in Europe. The principal effect of the disposals was a decrease in investment properties of \$33.9 million.

### (c) Disposal of Lighthouse

On 20 March 2007, a controlled entity disposed of the entire issued capital of three entities which held completed properties located in the United Kingdom. The principal effect of the disposals was a decrease in investment properties and interest bearing liabilities of \$199.4 million and \$133.7 million respectively.

### (d) Disposal of DPT

On 3 April 2007, a controlled entity disposed of the entire issued capital of an entity which held two completed properties located in Australia. The principal effect of the disposals was a decrease in investment properties and payables of \$42.3 million and \$11.0 million respectively.

### (e) Disposal of other controlled entities

During the year, a controlled entity disposed of the entire issued share capital of two entities which held completed properties located in Europe. The principal effect of the disposals was a decrease in construction contract receivables and interest bearing liabilities of \$71.3 million and \$49.1 million respectively.

## Note 5 Segment reporting

The Consolidated Entity is based in Australia and has operations in Asia Pacific (primarily Australia, New Zealand, Hong Kong, Singapore, People's Republic of China and Japan) and Europe. Products and services undertaken by the Consolidated Entity in each region are as follows: direct and indirect ownership of investment properties; funds management; property management; leasing services; due diligence works; and development management.

Geographical segment revenue and expenses are presented based on the geographical location of customers serviced. Segment assets and liabilities are classified based on the location of the assets.

### Primary segment reporting – geographical segments

|                                                                                                 | Asia Pacific |              | Europe       |             | Consolidated   |              |
|-------------------------------------------------------------------------------------------------|--------------|--------------|--------------|-------------|----------------|--------------|
| Year ended 30 June                                                                              | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M    | 2006<br>\$M  |
| <b>Revenue and Other Income</b>                                                                 |              |              |              |             |                |              |
| Revenue (gross property income, funds management, property services and development management) | 573.0        | 457.9        | 242.5        | 66.2        | 815.5          | 524.1        |
| Net gains from fair value adjustments on investment properties                                  | 64.0         | 113.5        | –            | –           | 64.0           | 113.5        |
| Net gain on disposal of investment properties                                                   | 54.7         | 38.6         | (0.4)        | 0.7         | 54.3           | 39.3         |
| Net gain on disposal of controlled entities                                                     | 8.0          | –            | 106.2        | –           | 114.2          | –            |
| Share of net results of associates and joint ventures                                           | 95.2         | 45.5         | 26.0         | 1.2         | 121.2          | 46.7         |
| Net gain on disposal of equity investments                                                      | –            | 4.7          | 4.9          | –           | 4.9            | 4.7          |
| Distributions from investments                                                                  | 8.8          | 7.5          | 9.2          | 1.2         | 18.0           | 8.7          |
| <b>Total revenue and other income</b>                                                           | <b>803.7</b> | <b>667.7</b> | <b>388.4</b> | <b>69.3</b> | <b>1,192.1</b> | <b>737.0</b> |
| <b>Segment Result</b>                                                                           |              |              |              |             |                |              |
| Profit before depreciation, amortisation, income tax and interest expense                       | 507.7        | 542.5        | 248.3        | 33.5        | 756.0          | 576.0        |
| Depreciation and amortisation                                                                   |              |              |              |             | (2.7)          | (1.2)        |
| Net financing costs                                                                             |              |              |              |             | (97.1)         | (69.0)       |
| Income tax expense                                                                              |              |              |              |             | (33.5)         | (5.5)        |
| <b>Profit for the year</b>                                                                      |              |              |              |             | <b>622.7</b>   | <b>500.3</b> |

### Changes in segment reporting

The Consolidated Entity previously identified Australia, New Zealand and Asia as separate primary reporting segments. As the Consolidated Entity continues to expand into new geographical locations Australia, New Zealand and Asia have been identified as a single geographical segment, Asia Pacific, reflecting its internal management and reporting structure. The 2006 comparatives for the Australian, New Zealand and Asian operations have been aggregated above.

In addition, depreciation and amortisation, and interest income and expense were previously included in arriving at the result for each segment. In order to report operational performance clearly, these items are now excluded from the segment result. The comparative figures have been adjusted to exclude these items. The net effect of this change for the comparative period is to increase the segment result for Asia Pacific by \$69.2 million and Europe by \$1.0 million.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 5 Segment reporting (continued)

Primary segment reporting – geographical segments

|                                                                    | Asia Pacific   |                  | Europe         |                | Consolidated     |                  |
|--------------------------------------------------------------------|----------------|------------------|----------------|----------------|------------------|------------------|
|                                                                    | 2007<br>\$M    | 2006<br>\$M      | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M      | 2006<br>\$M      |
| <b>Segment Assets</b>                                              |                |                  |                |                |                  |                  |
| Investment properties                                              | 4,144.7        | 4,190.0          | 1,215.3        | –              | 5,360.0          | 4,190.0          |
| Investments accounted for using the equity method                  | 930.1          | 454.5            | 162.0          | 20.7           | 1,092.1          | 475.2            |
| Other financial assets                                             | 202.1          | 132.1            | 204.9          | 99.1           | 407.0            | 231.2            |
| Intangible assets                                                  | 6.0            | 5.6              | 1,275.8        | 1,180.0        | 1,281.8          | 1,185.6          |
| Inventories                                                        | 28.7           | 33.5             | –              | 226.9          | 28.7             | 260.4            |
| Other assets                                                       | 226.0          | 228.3            | 601.0          | 139.1          | 827.0            | 367.4            |
| <b>Total segment assets</b>                                        | <b>5,537.6</b> | <b>5,044.0</b>   | <b>3,459.0</b> | <b>1,665.8</b> | <b>8,996.6</b>   | <b>6,709.8</b>   |
| <b>Segment Liabilities</b>                                         |                |                  |                |                |                  |                  |
| Payables                                                           | (111.7)        | (106.1)          | (318.2)        | (334.3)        | (429.9)          | (440.4)          |
| Provisions                                                         | (18.1)         | (10.8)           | (17.9)         | (13.8)         | (36.0)           | (24.6)           |
| <b>Total segment liabilities</b>                                   | <b>(129.8)</b> | <b>(116.9)</b>   | <b>(336.1)</b> | <b>(348.1)</b> | <b>(465.9)</b>   | <b>(465.0)</b>   |
| <b>Total segment assets less segment liabilities</b>               | <b>5,407.8</b> | <b>4,927.1</b>   | <b>3,122.9</b> | <b>1,317.7</b> | <b>8,530.7</b>   | <b>6,244.8</b>   |
| <b>Non-segment Assets and Liabilities</b>                          |                |                  |                |                |                  |                  |
| Cash                                                               |                |                  |                |                | 81.8             | 23.3             |
| Derivative financial instruments                                   |                |                  |                |                | 69.0             | 20.2             |
| Interest bearing assets                                            |                |                  |                |                | 15.9             | –                |
| Interest bearing liabilities                                       |                |                  |                |                | (3,861.6)        | (2,172.3)        |
| Provision for distributions                                        |                |                  |                |                | (129.9)          | (108.5)          |
| Deferred tax liabilities                                           |                |                  |                |                | (96.2)           | (24.7)           |
| Income tax payable                                                 |                |                  |                |                | (31.5)           | (11.5)           |
| <b>Total non-segment assets less total non-segment liabilities</b> |                |                  |                |                | <b>(3,952.5)</b> | <b>(2,273.5)</b> |
| <b>Net assets</b>                                                  |                |                  |                |                | <b>4,578.2</b>   | <b>3,971.3</b>   |
| <b>Capital expenditure</b>                                         | <b>(512.8)</b> | <b>(1,290.7)</b> | <b>(699.8)</b> | <b>(89.3)</b>  | <b>(1,212.6)</b> | <b>(1,380.0)</b> |

### Change in segment reporting

Cash, interest bearing assets and liabilities (including intra-group balances), derivative financial instruments, income tax receivables and payables, deferred tax assets and liabilities, and provision for distributions to Securityholders were previously included in arriving at segment assets and segment liabilities. In order to report operational assets and liabilities more clearly, these items are now included in non-segment assets and non-segment liabilities. The comparative figures have been adjusted to exclude these assets and liabilities. The net effect of this change for the comparative period is to increase segment net assets as follows: Asia Pacific \$1,478.3 million and Europe \$3,080.8 million.

## Note 5 Segment reporting (continued)

### Secondary segment reporting – business segments

|                                                       | Property investment |                  | Management   |              | Other         |              | Consolidated     |                  |
|-------------------------------------------------------|---------------------|------------------|--------------|--------------|---------------|--------------|------------------|------------------|
| Year ended 30 June                                    | 2007<br>\$M         | 2006<br>\$M      | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M  | 2007<br>\$M      | 2006<br>\$M      |
| <b>Revenue and Other Income</b>                       |                     |                  |              |              |               |              |                  |                  |
| External segment revenue and other income             | 500.8               | 590.9            | 349.0        | 186.1        | 173.4         | 10.2         | 1,023.2          | 787.2            |
| Share of net results of associates and joint ventures | 104.4               | 32.9             | 16.8         | 13.8         | –             | –            | 121.2            | 46.7             |
| <b>Total revenue and other income</b>                 | <b>605.2</b>        | <b>623.8</b>     | <b>365.8</b> | <b>199.9</b> | <b>173.4</b>  | <b>10.2</b>  | <b>1,144.4</b>   | <b>833.9</b>     |
| <b>Segment Result</b>                                 | <b>511.8</b>        | <b>527.7</b>     | <b>125.1</b> | <b>39.6</b>  | <b>116.4</b>  | <b>7.5</b>   | <b>753.3</b>     | <b>574.8</b>     |
| Net financing cost                                    |                     |                  |              |              |               |              | (97.1)           | (69.0)           |
| <b>Profit before income tax</b>                       |                     |                  |              |              |               |              | <b>656.2</b>     | <b>505.8</b>     |
| Income tax expense                                    |                     |                  |              |              |               |              | (33.5)           | (5.5)            |
| <b>Profit after tax</b>                               |                     |                  |              |              |               |              | <b>622.7</b>     | <b>500.3</b>     |
| <b>Assets</b>                                         |                     |                  |              |              |               |              |                  |                  |
| Segment assets                                        | 7,331.3             | 5,987.6          | 226.6        | 75.0         | 202.0         | 132.1        | 7,759.9          | 6,194.7          |
| Investments accounted for using the equity method     | 917.9               | 466.6            | 174.2        | 8.6          | –             | –            | 1,092.1          | 475.2            |
| Unallocated assets                                    |                     |                  |              |              |               |              | 317.3            | 83.3             |
| <b>Consolidated total assets</b>                      |                     |                  |              |              |               |              | <b>9,169.3</b>   | <b>6,753.2</b>   |
| <b>Liabilities</b>                                    |                     |                  |              |              |               |              |                  |                  |
| Segment liabilities                                   | (146.5)             | (91.7)           | (94.3)       | (58.0)       | –             | (108.2)      | (240.8)          | (257.9)          |
| Interest bearing liabilities                          |                     |                  |              |              |               |              | (3,861.6)        | (2,172.3)        |
| Unallocated liabilities                               |                     |                  |              |              |               |              | (488.7)          | (351.7)          |
| <b>Consolidated total liabilities</b>                 |                     |                  |              |              |               |              | <b>(4,591.1)</b> | <b>(2,781.9)</b> |
| <b>Capital expenditure</b>                            | <b>(1,215.5)</b>    | <b>(1,375.0)</b> | <b>–</b>     | <b>–</b>     | <b>(17.3)</b> | <b>(5.0)</b> | <b>(1,232.8)</b> | <b>(1,380.0)</b> |

#### Change in segment reporting

The Consolidated Entity previously identified funds management, property services and development management as separate secondary reporting segments. As the Consolidated Entity continues to consolidate its management activities in all regions, the combination of management activities into a single segment more accurately reflects the Consolidated Entity's approach and application of its Customer Service Model.

Segment revenue and results in the comparative year for the funds management, property services and development management have been combined. Amounts previously classified as eliminations have been included within Other. There is no effect on the reported total revenue and other income or total segment result in either the current year or the comparative year as a result of this change.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 6 Critical accounting estimates used in the preparation of the financial statements

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

### (a) Investment property values

Investment properties are carried at their fair value. Valuations are either based on an independent valuation or on a Directors' review of the carrying value. 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, and capital expenditure.

At 30 June 2007, the carrying value of completed investment properties held by the Consolidated Entity is \$3,815.2 million (2006: \$3,794.6 million).

### (b) Intangible assets

The Consolidated Entity recognises both management rights and goodwill in its Balance Sheet at 30 June 2007.

#### Management Rights

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

At 30 June 2007, the carrying value of management rights held by the Consolidated Entity is \$515.5 million (2006: \$481.8 million).

#### Goodwill

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

At 30 June 2007, the carrying value of goodwill for the Consolidated Entity is \$766.3 million (2006: \$703.8 million).

## Note 7 Profit/(loss) before income tax

|                                                                                                            | Consolidated   |               | Parent Entity |               |
|------------------------------------------------------------------------------------------------------------|----------------|---------------|---------------|---------------|
|                                                                                                            | 2007<br>\$M    | 2006<br>\$M   | 2007<br>\$M   | 2006<br>\$M   |
| <b>Profit/(loss) before income tax has been arrived at after crediting/(charging) the following items:</b> |                |               |               |               |
| Net proceeds from sale of investment properties                                                            | 677.5          | 578.3         | –             | –             |
| Carrying value of investment properties sold                                                               | (623.2)        | (539.0)       | –             | –             |
| <b>Net gain on disposal of investment properties</b>                                                       | <b>54.3</b>    | <b>39.3</b>   | <b>–</b>      | <b>–</b>      |
| Proceeds from the sale of controlled entities                                                              | 215.1          | –             | –             | –             |
| Net assets sold                                                                                            | (100.9)        | –             | –             | –             |
| <b>Net gain on disposal of controlled entities</b>                                                         | <b>114.2</b>   | <b>–</b>      | <b>–</b>      | <b>–</b>      |
| Proceeds from the sale of equity investments                                                               | 143.7          | 16.2          | –             | –             |
| Carrying value of equity investments sold                                                                  | (138.8)        | (11.5)        | –             | –             |
| <b>Net gain on disposal of equity investments</b>                                                          | <b>4.9</b>     | <b>4.7</b>    | <b>–</b>      | <b>–</b>      |
| <b>Financial Income</b>                                                                                    |                |               |               |               |
| Interest income from:                                                                                      |                |               |               |               |
| – Related parties                                                                                          | –              | –             | –             | 14.9          |
| – Controlled entities                                                                                      | –              | –             | 23.4          | –             |
| – Other parties                                                                                            | 7.3            | 3.4           | 0.2           | 0.8           |
| Fair value gains on ineffective portion of derivatives                                                     | 9.2            | 10.3          | 0.5           | –             |
| Foreign exchange gain                                                                                      | –              | 2.6           | –             | –             |
|                                                                                                            | <b>16.5</b>    | <b>16.3</b>   | <b>24.1</b>   | <b>15.7</b>   |
| <b>Financial Expenses</b>                                                                                  |                |               |               |               |
| Bank loans and overdraft interest                                                                          | (165.8)        | (125.9)       | –             | –             |
| Interest on loans from controlled entities                                                                 | –              | –             | (51.5)        | (26.7)        |
| RePS interest                                                                                              | (0.8)          | (3.0)         | –             | –             |
| Other                                                                                                      | –              | (3.4)         | (2.4)         | (0.1)         |
| Capitalised borrowing costs <sup>(1)</sup>                                                                 | 53.0           | 47.0          | –             | –             |
|                                                                                                            | <b>(113.6)</b> | <b>(85.3)</b> | <b>(53.9)</b> | <b>(26.8)</b> |
| <b>Net financing costs</b>                                                                                 | <b>(97.1)</b>  | <b>(69.0)</b> | <b>(29.8)</b> | <b>(11.1)</b> |
| Depreciation of property, plant and equipment                                                              | (3.7)          | (1.1)         | –             | –             |
| Amortisation of leasehold improvements                                                                     | (0.2)          | (0.1)         | –             | –             |
| <b>Total depreciation and amortisation</b>                                                                 | <b>(3.9)</b>   | <b>(1.2)</b>  | <b>–</b>      | <b>–</b>      |
| Operating lease rental expenses                                                                            | (3.1)          | (3.9)         | –             | –             |

(1) Borrowing costs were capitalised during the year at rates between 5.44% and 9.15% (2006:4.83% and 6.47%) per annum.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 8 Taxation

|                                                                                                              | Consolidated  |               | Parent Entity |               |
|--------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                                              | 2007<br>\$M   | 2006<br>\$M   | 2007<br>\$M   | 2006<br>\$M   |
| <b>Income Tax (Expense)/Benefit</b>                                                                          |               |               |               |               |
| <b>Current Tax (Expense)/Benefit</b>                                                                         |               |               |               |               |
| Current period                                                                                               | (24.4)        | (12.6)        | (0.5)         | 2.5           |
| Adjustment for prior years                                                                                   | 9.0           | (0.4)         | 2.6           | (0.2)         |
|                                                                                                              | <b>(15.4)</b> | <b>(13.0)</b> | <b>2.1</b>    | <b>2.3</b>    |
| <b>Deferred Tax (Expense)/Benefit Recognised in the Income Statement</b>                                     |               |               |               |               |
| Movements in deferred tax                                                                                    | (7.7)         | 7.5           | (1.5)         | (1.2)         |
| Adjustment for prior years                                                                                   | (10.4)        | –             | (0.7)         | –             |
| Other                                                                                                        | –             | –             | –             | (0.2)         |
|                                                                                                              | <b>(18.1)</b> | <b>7.5</b>    | <b>(2.2)</b>  | <b>(1.4)</b>  |
| <b>Total</b>                                                                                                 | <b>(33.5)</b> | <b>(5.5)</b>  | <b>(0.1)</b>  | <b>0.9</b>    |
| <b>(a) Income Tax Benefit/(Expense)</b>                                                                      |               |               |               |               |
| <b>Profit/(loss) before income tax</b>                                                                       | <b>656.2</b>  | <b>505.8</b>  | <b>(30.8)</b> | <b>(11.2)</b> |
| Prima facie income tax (expense)/benefit calculated at 30%<br>(2006: 30%) on profit/(loss) before income tax | (196.8)       | (151.7)       | 9.3           | 3.4           |
| Decrease/(increase) in income tax due to:                                                                    |               |               |               |               |
| – Profit attributable to Unitholders                                                                         | 187.8         | 135.9         | –             | –             |
| – Other non-deductible items                                                                                 | (1.8)         | (3.7)         | –             | –             |
| – Non-assessable interest income                                                                             | 2.3           | –             | –             | –             |
| – Net assessable foreign income                                                                              | (1.1)         | (2.5)         | –             | (1.0)         |
| – Net foreign tax credits received                                                                           | –             | 0.8           | –             | –             |
| – Non-deductible interest expense                                                                            | (6.2)         | (2.0)         | –             | (2.0)         |
| – Non-deductible share option expense                                                                        | (3.3)         | (2.2)         | –             | –             |
| – Other items                                                                                                | (13.7)        | 21.0          | (11.3)        | 0.7           |
| Difference in overseas tax rates                                                                             | 0.7           | (0.7)         | –             | –             |
| (Under)/over provision in prior year                                                                         | (1.4)         | (0.4)         | 1.9           | (0.2)         |
| <b>Income tax (expense)/benefit attributable to profit</b>                                                   | <b>(33.5)</b> | <b>(5.5)</b>  | <b>(0.1)</b>  | <b>0.9</b>    |
| <b>(b) Deferred Tax Recognised Directly in Equity</b>                                                        |               |               |               |               |
| Relating to revaluation of investments                                                                       | (26.0)        | (2.2)         | –             | –             |
| Other                                                                                                        | 1.0           | (1.3)         | –             | –             |
|                                                                                                              | <b>(25.0)</b> | <b>(3.5)</b>  | <b>–</b>      | <b>–</b>      |

## Note 8 Taxation (continued)

|                                                                                | Consolidated        |               | Parent Entity            |             |              |              |
|--------------------------------------------------------------------------------|---------------------|---------------|--------------------------|-------------|--------------|--------------|
|                                                                                | 2007<br>\$M         | 2006<br>\$M   | 2007<br>\$M              | 2006<br>\$M |              |              |
| <b>(c) Current Tax Receivables</b>                                             |                     |               |                          |             |              |              |
| Balance at the beginning of the year                                           | 1.1                 | 6.3           | 6.6                      | 2.6         |              |              |
| Movements during the year:                                                     |                     |               |                          |             |              |              |
| - Income taxes paid (net of refunds)                                           | (0.3)               | 1.6           | (4.7)                    | (3.7)       |              |              |
| - Income tax (expense)/benefit on current year's profit                        | (3.8)               | (6.4)         | (0.5)                    | 2.5         |              |              |
| - Income tax refundable                                                        | –                   | –             | –                        | 5.4         |              |              |
| Adjustment for prior years                                                     | 9.0                 | (0.4)         | 2.6                      | (0.2)       |              |              |
| <b>Balance at the end of the year</b>                                          | <b>6.0</b>          | <b>1.1</b>    | <b>4.0</b>               | <b>6.6</b>  |              |              |
| <b>(d) Current Tax Payables</b>                                                |                     |               |                          |             |              |              |
| Balance at the beginning of the year                                           | (12.6)              | –             | –                        | –           |              |              |
| Movements during the year:                                                     |                     |               |                          |             |              |              |
| - Income taxes paid (net of refunds)                                           | 14.0                | 2.6           | –                        | –           |              |              |
| - Income tax expense on profit from current year's profit                      | (20.6)              | (6.2)         | –                        | –           |              |              |
| - Amount relating to tax on pre-acquisition profits                            | (18.3)              | –             | –                        | –           |              |              |
| - Balance of provisions held by controlled entities at the date of acquisition | –                   | (9.0)         | –                        | –           |              |              |
| <b>Balance at the end of the year</b>                                          | <b>(37.5)</b>       | <b>(12.6)</b> | <b>–</b>                 | <b>–</b>    |              |              |
| <b>(e) Deferred Tax Assets and Liabilities</b>                                 |                     |               |                          |             |              |              |
| Deferred tax (assets)/liabilities are attributable to the following:           |                     |               |                          |             |              |              |
|                                                                                | Deferred tax assets |               | Deferred tax liabilities |             | Net          |              |
|                                                                                | 2007<br>\$M         | 2006<br>\$M   | 2007<br>\$M              | 2006<br>\$M | 2007<br>\$M  | 2006<br>\$M  |
| <b>Consolidated</b>                                                            |                     |               |                          |             |              |              |
| Receivables                                                                    | –                   | –             | 11.1                     | 0.7         | 11.1         | 0.7          |
| Investments accounted for using the equity method                              | –                   | –             | –                        | 2.5         | –            | 2.5          |
| Investment properties                                                          | –                   | –             | 36.1                     | –           | 36.1         | –            |
| Other financial assets                                                         | –                   | –             | 55.8                     | 25.6        | 55.8         | 25.6         |
| Payables                                                                       | (4.0)               | (0.5)         | –                        | –           | (4.0)        | (0.5)        |
| Provisions                                                                     | (6.8)               | (11.8)        | –                        | –           | (6.8)        | (11.8)       |
| Other items                                                                    | (2.5)               | (3.2)         | –                        | –           | (2.5)        | (3.2)        |
| <b>Tax (assets)/liabilities</b>                                                | <b>(13.3)</b>       | <b>(15.5)</b> | <b>103.0</b>             | <b>28.8</b> | <b>89.7</b>  | <b>13.3</b>  |
| Set-off                                                                        | 6.8                 | 4.1           | (6.8)                    | (4.1)       | –            | –            |
| <b>Net tax (assets)/liabilities</b>                                            | <b>(6.5)</b>        | <b>(11.4)</b> | <b>96.2</b>              | <b>24.7</b> | <b>89.7</b>  | <b>13.3</b>  |
| <b>Parent Entity</b>                                                           |                     |               |                          |             |              |              |
| Other financial assets                                                         | (2.5)               | (3.4)         | 0.4                      | 0.1         | (2.1)        | (3.3)        |
| <b>Tax (assets)/liabilities</b>                                                | <b>(2.5)</b>        | <b>(3.4)</b>  | <b>0.4</b>               | <b>0.1</b>  | <b>(2.1)</b> | <b>(3.3)</b> |

There are no deferred tax assets in relation to tax losses that have not been recognised at 30 June 2007.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 9 Development management

Fixed price development management contracts are accounted for in accordance with the accounting policy in note 1(c). In the comparative year, the contribution to profit from fixed price development management contracts was presented net of related development management expenses on the face of the Income Statement. As a result of this change, revenue and expenses from fixed price development management contracts have each increased by \$96.9 million. There is no impact on the reported net profit after tax for either the comparative year or the current year.

## Note 10 Dividends and distributions

### (a) Dividends declared by the Company

No dividends were declared or paid by the Company during the year ended 30 June 2007 or up to the date of this report.

### (b) Distributions declared by Goodman Industrial Trust

|                                              | Distribution<br>cpu | Total amount<br>\$M | Date of<br>payment |
|----------------------------------------------|---------------------|---------------------|--------------------|
| <b>Distributions for the quarters ended:</b> |                     |                     |                    |
| – 30 September 2006                          | 7.875               | 126.5               | 9 Nov 2006         |
| – 31 December 2006                           | 7.875               | 128.4               | 15 Feb 2007        |
| – 31 March 2007                              | 7.875               | 129.2               | 3 May 2007         |
| – 30 June 2007                               | 7.875               | 129.9               | 23 Aug 2007        |
|                                              | <b>31.500</b>       | <b>514.0</b>        |                    |

|                                                          |               |              |             |
|----------------------------------------------------------|---------------|--------------|-------------|
| <b>Distributions for the comparative quarters ended:</b> |               |              |             |
| – 30 September 2005                                      | 6.875         | 96.8         | 3 Nov 2005  |
| – 31 December 2005                                       | 6.875         | 98.6         | 7 Feb 2006  |
| – 31 March 2006                                          | 6.875         | 99.9         | 5 May 2006  |
| – 30 June 2006                                           | 6.875         | 108.5        | 23 Aug 2006 |
|                                                          | <b>27.500</b> | <b>403.8</b> |             |

|                                                                   | <b>Consolidated</b> |                     |
|-------------------------------------------------------------------|---------------------|---------------------|
| <b>Movement in Provision for Distributions to Securityholders</b> | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> |
| Balance at the beginning of the year                              | 108.5               | 90.4                |
| Provision for distributions                                       | 514.0               | 403.8               |
| Payment of distributions                                          | (492.6)             | (385.7)             |
| <b>Balance at the end of the year</b>                             | <b>129.9</b>        | <b>108.5</b>        |

|                                                                               | <b>Parent Entity</b> |                     |
|-------------------------------------------------------------------------------|----------------------|---------------------|
| <b>Dividend Franking Account</b>                                              | <b>2007<br/>\$M</b>  | <b>2006<br/>\$M</b> |
| 30% franking credits available to Shareholders for subsequent financial years | 5.6                  | 1.3                 |

The partly franked dividends paid during the year were franked at the tax rate of 30% (2006: 30%).

The above amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as a receivable at year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

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

## Note 11 Receivables

|                                                  | Consolidated |              | Parent Entity |              |
|--------------------------------------------------|--------------|--------------|---------------|--------------|
|                                                  | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M  |
| <b>Current</b>                                   |              |              |               |              |
| Trade debtors                                    | 75.2         | 61.6         | —             | 0.2          |
| Other debtors <sup>(1)</sup>                     | 503.6        | 138.5        | —             | 0.4          |
| Construction contract receivables <sup>(2)</sup> | 81.1         | 41.9         | —             | —            |
| Receivables from the ESAP <sup>(3)</sup>         | 2.4          | 2.7          | 2.4           | 0.8          |
| Loans to controlled entities <sup>(4)</sup>      | —            | —            | —             | 35.0         |
| Loans to related parties <sup>(5)</sup>          | 68.4         | 42.6         | 2.5           | 2.0          |
| Other                                            | 84.8         | 18.7         | 0.4           | 0.7          |
|                                                  | <b>815.5</b> | <b>306.0</b> | <b>5.3</b>    | <b>39.1</b>  |
| <b>Non-current</b>                               |              |              |               |              |
| Other debtors <sup>(1)</sup>                     | 1.4          | 0.7          | —             | —            |
| Receivables from the ESAP <sup>(3)</sup>         | 5.3          | 1.8          | 5.3           | —            |
| Loans to controlled entities <sup>(4)</sup>      | —            | —            | 829.5         | 444.6        |
| Loans to related parties <sup>(5)</sup>          | 0.4          | 7.2          | —             | —            |
|                                                  | <b>7.1</b>   | <b>9.7</b>   | <b>834.8</b>  | <b>444.6</b> |

(1) Other debtors at 30 June 2007 include \$138.6 million receivable from the sale of investment properties (2006: \$71.3 million).

(2) Construction contract receivables

|                                           | Consolidated |              |
|-------------------------------------------|--------------|--------------|
|                                           | 2007<br>\$M  | 2006<br>\$M  |
| Net contract debtors excluding retentions | 323.0        | 138.8        |
| Retentions                                | —            | —            |
| <b>Net contract debtors</b>               | <b>323.0</b> | <b>138.8</b> |
| Cash received to date                     | (241.9)      | (96.9)       |
| <b>Total progressive value</b>            | <b>81.1</b>  | <b>41.9</b>  |

(3) Amounts receivable from employees bear interest at the Consolidated Entity's weighted average interest rate of 7.1% (2006: 6.1%) per annum and are for periods of up to five years. Loans shown are full recourse in respect of those securities vested under the ESAP.

(4) Details of loans to controlled entities are set out in note 31.

(5) Loans to related parties include \$27.8 million (2006: \$nil) due from a managed fund arising from the sale of controlled entities to the fund. Further details are set out in note 31.

Receivables denominated in currencies other than Australian dollars are as follows:

| Amounts in A\$M | NZD  | HKD  | SGD | GBP   | EUR   | YEN |
|-----------------|------|------|-----|-------|-------|-----|
| 2007            | 21.2 | 4.3  | 0.6 | 381.7 | 147.2 | 0.6 |
| 2006            | 8.0  | 13.4 | 0.6 | 89.3  | 61.6  | —   |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 12 Inventories

|                    | Consolidated |             | Parent Entity |             |
|--------------------|--------------|-------------|---------------|-------------|
|                    | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| <b>Current</b>     |              |             |               |             |
| Work in progress   | 20.6         | 241.4       | –             | –           |
| <b>Non-current</b> |              |             |               |             |
| Work in progress   | 8.1          | 19.0        | –             | –           |

## Note 13 Other assets

|                                                               | Consolidated |             | Parent Entity |             |
|---------------------------------------------------------------|--------------|-------------|---------------|-------------|
|                                                               | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Refundable deposits for the purchase of investment properties | 14.1         | 34.0        | –             | –           |
| Prepayments                                                   | 15.5         | 13.1        | –             | –           |
| Other                                                         | 31.9         | –           | –             | –           |
|                                                               | <b>61.5</b>  | <b>47.1</b> | <b>–</b>      | <b>–</b>    |

## Note 14 Investment properties

|                                                   | Completed investment properties |                | Redevelopment projects |             | Investment properties under development |              | Total investment properties |                |
|---------------------------------------------------|---------------------------------|----------------|------------------------|-------------|-----------------------------------------|--------------|-----------------------------|----------------|
|                                                   | 2007<br>\$M                     | 2006<br>\$M    | 2007<br>\$M            | 2006<br>\$M | 2007<br>\$M                             | 2006<br>\$M  | 2007<br>\$M                 | 2006<br>\$M    |
| Carrying amount at the beginning of the year      | 3,794.6                         | 4,030.4        | 63.7                   | 186.3       | 331.7                                   | 541.7        | 4,190.0                     | 4,758.4        |
| Cost of acquisition:                              |                                 |                |                        |             |                                         |              |                             |                |
| – On acquisition of controlled entities           | 442.8                           | –              | –                      | –           | 631.6                                   | –            | 1,074.4                     | –              |
| – Other acquisitions                              | 78.2                            | 572.8          | –                      | –           | 525.8                                   | 78.5         | 604.0                       | 651.3          |
| Costs capitalised                                 | 110.4                           | 298.4          | 23.9                   | 103.2       | 477.2                                   | 308.6        | 611.5                       | 710.2          |
| Transfers in/(out)                                | 113.6                           | 615.2          | (22.6)                 | (225.8)     | (91.0)                                  | (389.4)      | –                           | –              |
| Disposals:                                        |                                 |                |                        |             |                                         |              |                             |                |
| – Carrying value of properties sold               | (514.1)                         | (391.4)        | –                      | –           | (115.4)                                 | (147.6)      | (629.5)                     | (539.0)        |
| – On disposal of interests in controlled entities | (262.0)                         | (1,444.3)      | –                      | –           | (278.5)                                 | (60.1)       | (540.5)                     | (1,504.4)      |
| Changes in fair values                            | 64.0                            | 113.5          | –                      | –           | –                                       | –            | 64.0                        | 113.5          |
| Effect of foreign exchange                        | (12.3)                          | –              | 2.7                    | –           | (4.3)                                   | –            | (13.9)                      | –              |
| Carrying amount at the end of the year            | <b>3,815.2</b>                  | <b>3,794.6</b> | <b>67.7</b>            | <b>63.7</b> | <b>1,477.1</b>                          | <b>331.7</b> | <b>5,360.0</b>              | <b>4,190.0</b> |

Redevelopment projects represent properties previously included within completed investment properties but now undergoing redevelopment works with the intention of continued use as investment properties.

As at 30 June 2007, investment properties with a carrying value of \$380.1 million (2006: \$4,015.6 million) were subject to charges to secure bank loans.

The Parent Entity did not hold investment properties during the current year or the comparative year.

## Note 14 Investment properties (continued)

Properties in the following lists are classified between Investment (I), Redevelopment (R), and Development (D).

| Properties                                          | I,D,R | Acquisition date | Original purchase price \$M | Cost since acquisition \$M | Cost including capital expenditure \$M | Last independent valuation date | Last independent valuation \$M | Disposal during the year \$M | Revaluation increment/ (decrement) during the year \$M | Book value 30 June 2007 \$M |
|-----------------------------------------------------|-------|------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>Australia</b>                                    |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Warehouse/Distribution Centres</b>               |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Greystanes Park, Prospect, NSW                      | I     | 1 Feb 05         | 115.6                       | 82.2                       | 197.8                                  | 30 Jun 07                       | 207.0                          | –                            | (0.5)                                                  | 207.0                       |
| MFive Industry Park, Moorebank, NSW                 | I,D   | 1 Feb 05         | 108.7                       | 42.9                       | 151.6                                  | 31 Dec 06                       | 147.5                          | –                            | 1.7                                                    | 153.7                       |
| Centenary Distribution Centre, Moorebank, NSW       | I,D   | 1 Feb 05         | 66.3                        | 26.6                       | 92.9                                   | 31 Dec 06                       | 92.0                           | –                            | 3.3                                                    | 96.1                        |
| Roberts Distribution Centre, Chullora, NSW          | I,D   | 1 Feb 05         | 61.6                        | 5.9                        | 67.5                                   | 30 Jun 06                       | 60.0                           | –                            | (0.2)                                                  | 65.2                        |
| M7 Business Hub, Eastern Creek, NSW                 | D     | 29 Jun 06        | 52.2                        | 0.3                        | 52.5                                   | 30 Jun 06                       | 49.5                           | –                            | (0.2)                                                  | 52.3                        |
| Smithfield Distribution Centre, Smithfield, NSW     | I     | 1 Feb 05         | 38.3                        | 3.2                        | 41.5                                   | 31 Dec 05                       | 45.5                           | –                            | (0.1)                                                  | 47.4                        |
| Great West Distribution Centre, Arndell Park, NSW   | I     | 1 Feb 05         | 37.7                        | 0.7                        | 38.4                                   | 31 Dec 05                       | 41.9                           | –                            | –                                                      | 42.1                        |
| Wyndham Distribution Centre, Laverton, Vic          | I     | 1 Feb 05         | 38.5                        | 0.7                        | 39.2                                   | 30 Jun 07                       | 42.5                           | –                            | 1.1                                                    | 42.5                        |
| Angliss Distribution Centre, Laverton North, Vic    | I     | 1 Feb 05         | 19.2                        | 14.0                       | 33.2                                   | 31 Dec 06                       | 38.5                           | –                            | 0.4                                                    | 38.2                        |
| Southend Distribution Centre, Mascot, NSW           | I     | 1 Feb 05         | 35.2                        | 1.0                        | 36.2                                   | 30 Jun 07                       | 42.0                           | –                            | 5.9                                                    | 42.0                        |
| Kingston Distribution Centre, Braeside, Vic         | I     | 1 Feb 05         | 30.2                        | 0.7                        | 30.9                                   | 31 Dec 06                       | 35.0                           | –                            | 0.6                                                    | 35.0                        |
| Gateway Business Park, Craigieburn, NSW             | D     | 27 Oct 06        | 21.1                        | 1.1                        | 22.2                                   | 27 Oct 06                       | 19.5                           | –                            | –                                                      | 22.2                        |
| Montague Distribution Centre, West End, Qld         | I     | 1 Feb 05         | 8.3                         | 7.3                        | 15.6                                   | 30 Jun 07                       | 19.4                           | –                            | 3.8                                                    | 19.4                        |
| Interchange Distribution Centre, Truganina, Vic     | D     | 30 Mar 07        | 19.0                        | –                          | 19.0                                   | 30 Mar 07                       | 19.0                           | –                            | –                                                      | 19.0                        |
| Federation Distribution Centre, Laverton North, Vic | I,D   | 1 Feb 05         | 12.3                        | 6.8                        | 19.1                                   | 31 Dec 06                       | 17.7                           | –                            | (0.3)                                                  | 18.8                        |
| Sheffield Distribution Centre, Welshpool, WA        |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| – Stage 1                                           | I     | 1 Feb 05         | 12.7                        | 0.2                        | 12.9                                   | 31 Dec 05                       | 14.0                           | –                            | –                                                      | 14.0                        |
| – Stage 2                                           | I     | 1 Feb 05         | 4.2                         | 0.1                        | 4.3                                    | 30 Jun 06                       | 4.3                            | –                            | –                                                      | 4.3                         |
| Prestons Distribution Centre, Preston, NSW          | D     | 4 Mar 05         | 24.8                        | 7.2                        | 32.0                                   | 23 Nov 04                       | 22.6                           | –                            | –                                                      | 18.1                        |
| Sunshine Distribution Centre, Sunshine, Vic         | I     | 1 Feb 05         | 13.4                        | 0.6                        | 14.0                                   | 30 Jun 07                       | 16.0                           | –                            | 0.5                                                    | 16.0                        |
| Britton Distribution Centre, Smithfield, NSW        | I     | 1 Feb 05         | 13.8                        | 0.8                        | 14.6                                   | 31 Dec 06                       | 15.0                           | –                            | 1.2                                                    | 15.8                        |
| Westlink Distribution Centre, Laverton, Vic         | I     | 1 Feb 05         | 6.7                         | 5.5                        | 12.2                                   | 31 Dec 06                       | 14.4                           | –                            | 1.2                                                    | 14.5                        |
| Holbeche Distribution Centre, Arndell Park, NSW     | I     | 1 Feb 05         | 8.8                         | 0.6                        | 9.4                                    | 1 Feb 05                        | 8.8                            | –                            | –                                                      | 9.4                         |
| Forrester Distribution Centre, St Marys, NSW        | D     | 1 Feb 05         | 6.7                         | 1.4                        | 8.1                                    | 1 Feb 05                        | 6.7                            | –                            | –                                                      | 8.1                         |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 14 Investment properties (continued)

| Properties                                         | I,D,R | Acquisition date     | Original purchase price \$M | Cost since acquisition \$M | Cost including capital expenditure \$M | Last independent valuation date | Last independent valuation \$M | Disposal during the year \$M | Revaluation increment/ (decrement) during the year \$M | Book value 30 June 2007 \$M |
|----------------------------------------------------|-------|----------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>Australia (continued)</b>                       |       |                      |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Warehouse/Distribution Centres (continued)</b>  |       |                      |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Taylor Distribution Centre, SA                     | I,D   | 31 Aug 05            | 6.4                         | 1.5                        | 7.9                                    | 15 Jun 05                       | 6.6                            | –                            | –                                                      | 7.9                         |
| Keylink Industrial Estate, Edinburgh Parks, SA     | D     | 11 Aug 06            | 7.6                         | 0.3                        | 7.9                                    | 11 Aug 06                       | 7.0                            | –                            | –                                                      | 7.9                         |
| Perth Airport, Perth, WA                           | D     | 5 Apr 07             | 2.4                         | 6.4                        | 8.8                                    | 5 Apr 07                        | 2.4                            | –                            | –                                                      | 8.8                         |
| Beverley Distribution Centre, Beverley, SA         | I     | 28 Jun 05            | 5.2                         | 0.2                        | 5.4                                    | 15 Jun 05                       | 5.2                            | –                            | (0.1)                                                  | 5.3                         |
| Bradford Distribution Centre, Cavan, SA            | I     | 1 Feb 05             | 3.8                         | 0.1                        | 3.9                                    | 31 Dec 06                       | 4.5                            | –                            | 0.1                                                    | 4.5                         |
| Tranzport Distribution Centre, Port Melbourne, Vic | I     | 1 Feb 05             | 14.1                        | 1.9                        | 16.0                                   | 31 Dec 05                       | 18.1                           | (19.2)                       | (0.2)                                                  | –                           |
| Berkeley Distribution Centre, Berkeley Vale, NSW   | I     | 1 Feb 05             | 22.3                        | 0.3                        | 22.6                                   | 30 Jun 06                       | 24.3                           | (24.5)                       | –                                                      | –                           |
| Northgate Distribution Centre, Somerton, Vic       | I,D   | 1 Feb 05             | 47.5                        | 3.3                        | 50.8                                   | 31 Dec 06                       | 57.1                           | (57.3)                       | (0.8)                                                  | –                           |
| Wodonga Distribution Centre, Baranduda, Vic        | I     | 1 Feb 05             | 3.3                         | 0.2                        | 3.5                                    | 30 Jun 06                       | 3.7                            | (3.8)                        | –                                                      | –                           |
| <b>Office Parks</b>                                |       |                      |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Talavera Corporate Centre, North Ryde, NSW         | I     | 1 Feb 05             | 110.8                       | 64.5                       | 175.3                                  | 31 Dec 06                       | 181.3                          | –                            | 7.0                                                    | 182.3                       |
| Homebush Corporate Park, Homebush, NSW             | I,R   | 1 Feb 05 & 30 Jun 05 | 199.2                       | 81.9                       | 281.1                                  | 30 Jun 07                       | 264.0                          | –                            | (1.3)                                                  | 270.8                       |
| CityWest Office Park, Pyrmont, NSW                 | I     | 1 Feb 05             | 104.6                       | 3.2                        | 107.8                                  | 30 Jun 07                       | 124.0                          | –                            | 5.1                                                    | 124.0                       |
| Binary Centre, North Ryde, NSW                     | I     | 1 Feb 05             | 81.1                        | 2.1                        | 83.2                                   | 30 Jun 06                       | 86.7                           | –                            | (0.2)                                                  | 87.1                        |
| Macquarie Corporate Park, North Ryde, NSW          |       |                      |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| - Buildings A and C                                | I     | 1 Feb 05             | 38.8                        | 3.0                        | 41.8                                   | 30 Jun 06                       | 40.4                           | –                            | (0.2)                                                  | 43.1                        |
| - Building B                                       | I     | 1 Feb 05             | 52.4                        | 6.0                        | 58.4                                   | 31 Dec 06                       | 56.5                           | –                            | 0.1                                                    | 58.7                        |
| Cambridge Office Park, Epping, NSW                 | I     | 1 Feb 05             | 46.1                        | 1.9                        | 48.0                                   | 31 Dec 05                       | 49.4                           | –                            | 0.6                                                    | 51.0                        |
| Pinnacle Office Park, North Ryde, NSW              | I,R   | 1 Feb 05             | 32.2                        | 13.2                       | 45.4                                   | 1 Feb 05                        | 32.2                           | –                            | –                                                      | 45.4                        |
| Altitude Corporate Centre, Mascot, NSW             | D     | 1 Mar 06             | 7.5                         | 27.6                       | 35.1                                   | 12 Jul 05                       | 7.4                            | –                            | –                                                      | 35.1                        |
| The Precinct Corporate Centre, North Ryde, NSW     | I,D,R | 1 Feb 05             | 25.7                        | 6.6                        | 32.3                                   | 30 Jun 06                       | 24.3                           | –                            | –                                                      | 29.1                        |
| Warringah Corporate Centre, Frenchs Forest, NSW    |       |                      |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| – Stage 1                                          | I     | 1 Feb 05             | 43.7                        | 2.5                        | 46.2                                   | 30 Jun 06                       | 43.0                           | (43.9)                       | –                                                      | –                           |
| – Stage 2                                          | D     | 1 Feb 05             | 3.6                         | 0.8                        | 4.4                                    | 30 Jun 07                       | 2.9                            | –                            | (1.5)                                                  | 2.9                         |
| St Leonards Corporate Centre, St Leonards, NSW     | I     | 31 May 05            | 77.9                        | 13.5                       | 91.4                                   | 1 May 05                        | 51.0                           | (91.7)                       | 0.2                                                    | –                           |
| Hurstville Office Park, Hurstville, NSW            | I     | 1 Feb 05             | 29.9                        | 4.0                        | 33.9                                   | 31 Dec 05                       | 35.5                           | (37.4)                       | 0.1                                                    | –                           |

## Note 14 Investment properties (continued)

| Properties                                      | I,D,R | Acquisition date      | Original purchase price \$M | Cost since acquisition \$M | Cost including capital expenditure \$M | Last independent valuation date | Last independent valuation \$M | Disposal during the year \$M | Revaluation increment/ (decrement) during the year \$M | Book value 30 June 2007 \$M |
|-------------------------------------------------|-------|-----------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>Australia (continued)</b>                    |       |                       |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Business Parks</b>                           |       |                       |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Campus Business Park, Homebush, NSW             | I,D   | 1 Feb 05              | 125.2                       | 41.9                       | 167.1                                  | 30 Jun 07                       | 172.5                          | –                            | 1.6                                                    | 172.5                       |
| Lidcombe Business Park, Lidcombe, NSW           | I     | 1 Feb 05              | 142.9                       | 3.5                        | 146.4                                  | 31 Dec 06                       | 159.0                          | –                            | 5.8                                                    | 159.3                       |
| Clayton Business Park, Clayton, Vic             | I,R   | 1 Feb 05              | 87.7                        | 32.8                       | 120.5                                  | 30 Jun 07                       | 116.0                          | –                            | (0.5)                                                  | 116.0                       |
| Slough Business Park, Silverwater, NSW          | I     | 1 Feb 05              | 101.1                       | 6.9                        | 108.0                                  | 31 Dec 06                       | 109.0                          | –                            | 1.6                                                    | 109.9                       |
| Chifley Business Park, Mentone, Vic             | I,D   | 1 Feb 05              | 56.6                        | 47.4                       | 104.0                                  | 30 Jun 06                       | 101.0                          | –                            | (1.1)                                                  | 108.2                       |
| Botany Grove Business Park, Botany, NSW         | I     | 1 Feb 05              | 61.1                        | 2.7                        | 63.8                                   | 30 Jun 07                       | 75.5                           | –                            | 5.7                                                    | 75.5                        |
| Airgate Business Park, Mascot, NSW              |       |                       |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| – Stages 1 and 2                                | I     | 1 Feb 05              | 53.4                        | 5.1                        | 58.5                                   | 31 Dec 06                       | 73.2                           | –                            | –                                                      | 67.8                        |
| – Stage 3                                       | D     | 1 Feb 05              | 8.4                         | 8.2                        | 16.6                                   | 1 Feb 05                        | 8.4                            | –                            | –                                                      | 7.4                         |
| Euston Business Park, Alexandria, NSW           | I     | 1 Feb 05              | 49.7                        | 1.3                        | 51.0                                   | 30 Jun 06                       | 52.0                           | –                            | (0.2)                                                  | 53.0                        |
| Toyotagreen Business Park, Port Melbourne, Vic  | I,D   | 14 Apr 05 & 24 Mar 05 | 27.4                        | 22.9                       | 50.3                                   | 17 Mar 05                       | 26.1                           | –                            | (0.1)                                                  | 50.2                        |
| TransTech Business Park, Lane Cove, NSW         | I     | 1 Feb 05              | 41.0                        | 4.6                        | 45.6                                   | 30 Jun 07                       | 47.8                           | –                            | 1.7                                                    | 47.8                        |
| Forestridge Business Park, Frenchs Forest, NSW  | I     | 1 Feb 05              | 34.7                        | 10.2                       | 44.9                                   | 30 Jun 07                       | 44.0                           | –                            | (0.8)                                                  | 44.0                        |
| Talavera Business Park, North Ryde, NSW         | I     | 1 Feb 05              | 38.9                        | 1.1                        | 40.0                                   | 31 Dec 06                       | 42.2                           | –                            | 0.3                                                    | 42.3                        |
| Regal Business Park, Roweville, Vic             | I,D   | 1 Feb 05              | 37.6                        | 18.8                       | 56.4                                   | 1 Feb 05                        | 37.6                           | (13.6)                       | –                                                      | 38.2                        |
| Enterprise Business Park, Gladesville, NSW      | I     | 1 Feb 05              | 31.7                        | 1.2                        | 32.9                                   | 30 Jun 06                       | 34.0                           | –                            | –                                                      | 34.8                        |
| Waterloo Business Park, North Ryde, NSW         | I     | 1 Feb 05              | 24.2                        | 1.5                        | 25.7                                   | 31 Dec 06                       | 26.7                           | –                            | 0.4                                                    | 26.8                        |
| Link Business Park, North Ryde, NSW             | I     | 1 Feb 05              | 21.0                        | 2.2                        | 23.2                                   | 31 Dec 06                       | 26.0                           | –                            | 3.1                                                    | 26.4                        |
| Pacific View Business Park, Frenchs Forest, NSW | I     | 1 Feb 05              | 15.9                        | 0.8                        | 16.7                                   | 31 Dec 06                       | 18.2                           | –                            | 1.4                                                    | 18.3                        |
| Orion Business Park, Lane Cove, NSW             | I     | 1 Feb 05              | 12.8                        | 0.7                        | 13.5                                   | 30 Jun 07                       | 14.0                           | –                            | 0.5                                                    | 14.0                        |
| Chase Business Park, Chatswood, NSW             | I     | 1 Feb 05              | 10.1                        | 0.1                        | 10.2                                   | 30 Jun 06                       | 7.4                            | –                            | 0.1                                                    | 7.4                         |
| Acacia Ridge Business Park, Acacia Ridge, Qld   | I     | 1 Feb 05              | 44.1                        | 1.0                        | 45.1                                   | 30 Jun 06                       | 50.0                           | (50.5)                       | 0.3                                                    | –                           |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 14 Investment properties (continued)

| Properties                                         | I,D,R | Acquisition date | Original purchase price \$M | Cost since acquisition \$M | Cost including capital expenditure \$M | Last independent valuation date | Last independent valuation \$M | Disposal during the year \$M | Revaluation increment/ (decrement) during the year \$M | Book value 30 June 2007 \$M |
|----------------------------------------------------|-------|------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>Australia (continued)</b>                       |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Industrial Estates</b>                          |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Discovery Cove Industrial Estate, Banksmeadow, NSW | I     | 1 Feb 05         | 72.2                        | 5.0                        | 77.2                                   | 30 Jun 07                       | 97.0                           | –                            | 5.0                                                    | 97.0                        |
| Alexandria Industrial Estate, Alexandria, NSW      | I     | 1 Feb 05         | 60.1                        | 10.4                       | 70.5                                   | 31 Dec 06                       | 71.0                           | –                            | 3.5                                                    | 72.7                        |
| Mitchell Industrial Estate, Alexandria, NSW        | I     | 1 Feb 05         | 67.9                        | 5.6                        | 73.5                                   | 31 Dec 06                       | 72.3                           | –                            | (3.9)                                                  | 72.5                        |
| Kingsford Smith Industrial Estate, Alexandria, NSW | I     | 1 Feb 05         | 41.3                        | 0.1                        | 41.4                                   | 31 Dec 06                       | 41.0                           | –                            | (0.4)                                                  | 41.0                        |
| Gateway Industrial Estate, Arndell Park, NSW       | I     | 1 Feb 05         | 34.1                        | 1.1                        | 35.2                                   | 31 Dec 06                       | 40.0                           | –                            | 5.0                                                    | 40.2                        |
| Burrows Industrial Estate, Alexandria, NSW         | I     | 1 Feb 05         | 32.0                        | 2.3                        | 34.3                                   | 31 Dec 06                       | 38.2                           | –                            | 3.2                                                    | 38.8                        |
| Portside Industrial Estate, Port Melbourne, Vic    | I     | 1 Feb 05         | 32.4                        | 2.6                        | 35.0                                   | 31 Dec 06                       | 34.2                           | –                            | 0.2                                                    | 35.2                        |
| Smithfield Industrial Estate, Smithfield, NSW      |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| – Stages 1 and 2                                   | I     | 1 Feb 05         | 30.2                        | 1.3                        | 31.5                                   | 31 Dec 05                       | 33.8                           | –                            | –                                                      | 34.4                        |
| – Stage 3                                          | I     | 1 Feb 05         | 3.8                         | 0.2                        | 4.0                                    | 30 Jun 06                       | 4.3                            | –                            | –                                                      | 4.3                         |
| Huntingwood East, Blacktown, NSW                   | D     | 25 Sep 06        | 29.1                        | 1.2                        | 30.3                                   | 25 Sep 06                       | 27.5                           | –                            | –                                                      | 30.3                        |
| Brodie Industrial Estate, Rydalmere, NSW           | I     | 1 Feb 05         | 23.5                        | 2.0                        | 25.5                                   | 31 Dec 05                       | 25.3                           | –                            | –                                                      | 27.1                        |
| Biloela Industrial Estate, Villawood, NSW          | I     | 1 Feb 05         | 19.9                        | 0.7                        | 20.6                                   | 31 Dec 05                       | 22.0                           | –                            | –                                                      | 22.1                        |
| Interchange Industrial Estate, Vic                 | D     | 3 Apr 06         | 13.2                        | 2.9                        | 16.1                                   | 5 Mar 06                        | 27.6                           | –                            | –                                                      | 16.1                        |
| Abbott Industrial Estate, Chester Hill, NSW        | I     | 1 Feb 05         | 12.1                        | 2.9                        | 15.0                                   | 30 Jun 06                       | 13.0                           | –                            | 0.1                                                    | 13.6                        |
| Westcove Industrial Estate, Lane Cove, NSW         | I     | 1 Feb 05         | 12.9                        | 0.1                        | 13.0                                   | 30 Jun 07                       | 12.9                           | –                            | –                                                      | 12.9                        |
| Homebush Bay Industrial Estate, Homebush, NSW      | I     | 1 Feb 05         | 11.3                        | 0.6                        | 11.9                                   | 30 Jun 06                       | 12.0                           | –                            | 0.1                                                    | 12.3                        |
| Greensquare Industrial Estate, Alexandria, NSW     | I     | 1 Feb 05         | 11.6                        | 0.2                        | 11.8                                   | 31 Dec 06                       | 11.8                           | –                            | 0.1                                                    | 12.0                        |
| Pavesi Industrial Estate, Smithfield, NSW          | I     | 1 Feb 05         | 9.5                         | –                          | 9.5                                    | 31 Dec 06                       | 9.7                            | –                            | 0.2                                                    | 9.7                         |
| Healey Industrial Estate, Dandenong, Vic           | I     | 1 Feb 05         | 7.0                         | 0.8                        | 7.8                                    | 31 Dec 06                       | 8.8                            | –                            | 1.6                                                    | 9.4                         |
| Woodpark Industrial Estate, Smithfield, NSW        | I     | 1 Feb 05         | 7.2                         | 1.0                        | 8.2                                    | 31 Dec 06                       | 8.6                            | –                            | (0.1)                                                  | 8.8                         |
| Goldsborough Industrial Estate, Pooraka, SA        | I,D   | 18 Nov 05        | 0.3                         | 17.0                       | 17.3                                   | 18 Nov 05                       | 0.3                            | (6.3)                        | –                                                      | 2.6                         |
| Tingalpa Industrial Estate, Tingalpa, Qld          | I     | 1 Feb 05         | 13.8                        | 0.3                        | 14.1                                   | 31 Dec 06                       | 16.5                           | (16.5)                       | 0.5                                                    | –                           |

## Note 14 Investment properties (continued)

| Properties                                         | I,D,R | Acquisition date | Original purchase price \$M | Cost since acquisition \$M | Cost including capital expenditure \$M | Last independent valuation date | Last independent valuation \$M | Disposal during the year \$M | Revaluation increment/ (decrement) during the year \$M | Book value 30 June 2007 \$M |
|----------------------------------------------------|-------|------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>Australia (continued)</b>                       |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Industrial Estates (continued)</b>              |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Arcadia Industrial Estate, Coopers Plains, Qld     | I,D   | 1 Feb 05         | 23.0                        | 1.1                        | 24.1                                   | 30 Jun 05                       | 25.0                           | (25.9)                       | –                                                      | –                           |
| Acacia Link Industrial Estate, Acacia Ridge, Qld   | I,D   | 1 Feb 05         | 20.3                        | 14.4                       | 34.7                                   | 1 Feb 05                        | 20.3                           | (34.6)                       | (0.1)                                                  | –                           |
| McLaren Industrial Estate, North Rocks, NSW        | I,D   | 1 Feb 05         | 31.1                        | 2.7                        | 33.8                                   | 30 Jun 06                       | 32.5                           | (32.9)                       | (0.1)                                                  | –                           |
| Erskine Park Industrial Estate, Erskine Park, NSW  | I     | 1 Feb 05         | 48.2                        | 63.7                       | 111.9                                  | 1 Feb 05                        | 48.2                           | (111.6)                      | (0.5)                                                  | –                           |
| <b>Suburban Commercial Buildings</b>               |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Ashfield Corporate Centre, Ashfield, NSW           | I,D   | 1 Feb 05         | 40.9                        | 1.7                        | 42.6                                   | 1 Feb 05                        | 40.9                           | –                            | 0.6                                                    | 43.5                        |
| Gordon Corporate Centre, Gordon, NSW               | I     | 1 Feb 05         | 26.9                        | 2.3                        | 29.2                                   | 30 Jun 06                       | 30.1                           | (31.0)                       | –                                                      | –                           |
|                                                    |       |                  | 3,482.7                     | 813.9                      | 4,296.6                                |                                 |                                | (600.7)                      | 62.1                                                   | 3,841.3                     |
| <b>New Zealand</b>                                 |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Industrial Estates</b>                          |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Savill Link, Otahuhu, Auckland                     | D     | 1 Feb 05         | 16.8                        | 15.2                       | 32.0                                   | 1 Feb 05                        | 14.7                           | (3.4)                        | –                                                      | 21.7                        |
| Westney Industry Park, Mangere, Auckland           | D     | 1 Feb 05         | 0.8                         | 6.7                        | 7.5                                    | 1 Feb 05                        | 0.8                            | (1.5)                        | –                                                      | 3.5                         |
| The Gate Industry Park, Penrose, Auckland          | D     | 1 Feb 05         | 32.2                        | 6.3                        | 38.5                                   | 1 Feb 05                        | 23.9                           | –                            | –                                                      | 1.8                         |
| Neilson Street, Penrose, Auckland                  | D     | 28 Jun 05        | 1.0                         | 0.2                        | 1.2                                    | 12 May 05                       | 2.0                            | –                            | –                                                      | 1.4                         |
| <b>Business Parks</b>                              |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Highbrook Business Park, East Tamaki, Auckland     | D     | 1 Feb 05         | 79.7                        | 92.9                       | 172.6                                  | 1 Feb 05                        | 80.7                           | (16.1)                       | –                                                      | 125.8                       |
| Eden Business Park, Mt Eden, Auckland              | I,D   | 16 Aug 05        | 57.0                        | 13.9                       | 70.9                                   | 16 Aug 05                       | 53.3                           | –                            | –                                                      | 77.6                        |
| 606-612 Great South Road, Auckland                 | D     | 15 Mar 05        | 1.4                         | 1.7                        | 3.1                                    | 15 Mar 05                       | 0.1                            | –                            | –                                                      | 1.8                         |
| Millennium Centre, Phase 3, Greenlane, Auckland    | D     | 8 Apr 05         | 0.6                         | 0.4                        | 1.0                                    | 16 Dec 05                       | 0.5                            | –                            | –                                                      | 1.1                         |
| Central Park Corporate Centre, Greenlane, Auckland | D     | 1 Feb 05         | 50.3                        | 0.9                        | 51.2                                   | 1 Feb 05                        | 41.7                           | (3.7)                        | –                                                      | –                           |
|                                                    |       |                  | 239.8                       | 138.2                      | 378.0                                  |                                 |                                | (24.7)                       | –                                                      | 234.7                       |
| <b>Singapore</b>                                   |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Industrial Estates</b>                          |       |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Axis Industrial Centre, Singapore                  | I     | 19 Oct 05        | 20.3                        | 0.6                        | 20.9                                   | 5 Jul 07                        | 22.3                           | –                            | 1.9                                                    | 21.0                        |
|                                                    |       |                  | 20.3                        | 0.6                        | 20.9                                   |                                 |                                | –                            | 1.9                                                    | 21.0                        |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 14 Investment properties (continued)

| Properties                                                       | I, D, R | Acquisition Date | Original Purchase Price \$M | Cost since Acquisition \$M | Cost including Capital Expenditure \$M | Last Independent Valuation Date | Last Independent Valuation \$M | Disposal during the year \$M | Revaluation Increment/ (Decrement) during the year \$M | Book Value 30 June 2007 \$M |
|------------------------------------------------------------------|---------|------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>People's Republic of China</b>                                |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Warehouse/Distribution Centres</b>                            |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Shanghai Distribution Centre, Kangqiao Industrial Zone, Shanghai |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| – Phase 1                                                        | D       | 1 Dec 05         | –                           | 25.3                       | 25.3                                   |                                 | –                              | –                            | –                                                      | 23.7                        |
| – Phase 2                                                        | D       | 19 Dec 06        | –                           | 3.8                        | 3.8                                    |                                 | –                              | –                            | –                                                      | 3.5                         |
| Lotus Warehouse, Fengxian, Shanghai                              | I       | 14 Feb 07        | 21.8                        | –                          | 21.8                                   | 9 Dec 06                        | 22.0                           | –                            | –                                                      | 20.5                        |
|                                                                  |         |                  | 21.8                        | 29.1                       | 50.9                                   |                                 |                                | –                            | –                                                      | 47.7                        |
| <b>Europe</b>                                                    |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Warehouse/Distribution Centres</b>                            |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Office Depot, Leicester, United Kingdom                          | I       | 29 Jun 07        | 75.4                        | –                          | 75.4                                   | 29 Jun 07                       | 75.4                           | –                            | –                                                      | 75.4                        |
| West Thurrock, United Kingdom                                    | I       | 20 Sep 06        | 77.8                        | –                          | 77.8                                   | 20 Sep 06                       | 74.5                           | –                            | –                                                      | 74.5                        |
| Jaguar, United Kingdom                                           | I       | 27 Mar 07        | 74.2                        | 1.3                        | 75.5                                   | 27 Mar 07                       | 72.5                           | –                            | –                                                      | 72.5                        |
| Panasonic, United Kingdom                                        | I       | 26 Mar 07        | 73.3                        | 1.0                        | 74.3                                   | 26 Mar 07                       | 71.3                           | –                            | –                                                      | 71.3                        |
| Gloucester Business Park, United Kingdom                         | I       | 20 Sep 06        | 59.8                        | –                          | 59.8                                   | 20 Sep 06                       | 57.3                           | –                            | –                                                      | 57.3                        |
| Brackmills, United Kingdom                                       | I       | 20 Sep 06        | 45.5                        | –                          | 45.5                                   | 20 Sep 06                       | 43.7                           | –                            | –                                                      | 43.7                        |
| South Normanton, United Kingdom                                  | I       | 20 Sep 06        | 37.2                        | –                          | 37.2                                   | 20 Sep 06                       | 35.7                           | –                            | –                                                      | 35.7                        |
| Burton Property, United Kingdom                                  | I       | 21 Dec 06        | 36.5                        | –                          | 36.5                                   | 21 Dec 06                       | 35.0                           | –                            | –                                                      | 35.0                        |
| Maltby, United Kingdom                                           | I       | 20 Sep 06        | 23.1                        | –                          | 23.1                                   | 20 Sep 06                       | 22.1                           | –                            | –                                                      | 22.1                        |
| Magnetic Park, Desborough, United Kingdom                        | I       | 15 Feb 07        | 16.2                        | 25.0                       | 41.2                                   | 15 Feb 07                       | 39.5                           | –                            | –                                                      | 39.5                        |
| Ellesmere Port, United Kingdom                                   | D       | 24 Apr 07        | 5.8                         | –                          | 5.8                                    | 24 Apr 07                       | 5.6                            | –                            | –                                                      | 5.6                         |
| Citadel Junction, Wolverhampton, United Kingdom                  | D       | 11 May 07        | 1.7                         | –                          | 1.7                                    | 11 May 07                       | 1.6                            | –                            | –                                                      | 1.6                         |
| Rosemound development land                                       | D       | 13 Apr 07        | 553.0                       | 45.1                       | 598.1                                  | 13 Apr 07                       | 553.0                          | (33.6)                       | –                                                      | 564.5                       |
| Montelimar, France                                               | D       | 9 Mar 06         | 8.9                         | 21.6                       | 30.5                                   | 21 Dec 06                       | 8.9                            | (30.5)                       | –                                                      | –                           |
| Alsdorf, Germany                                                 | D       | 30 Nov 06        | 28.8                        | –                          | 28.8                                   | 21 Dec 06                       | 28.8                           | (28.8)                       | –                                                      | –                           |
| Korbach, Germany                                                 | D       | 13 Nov 06        | 19.7                        | –                          | 19.7                                   | 21 Dec 06                       | 19.7                           | (19.7)                       | –                                                      | –                           |
| Ormes, France                                                    | D       | 28 Jun 06        | 14.8                        | –                          | 14.8                                   | 21 Dec 06                       | 14.8                           | (14.8)                       | –                                                      | –                           |
| Rosny-sur-Seine, France                                          | D       | 6 Oct 06         | 3.0                         | –                          | 3.0                                    | 21 Dec 06                       | –                              | (3.0)                        | –                                                      | –                           |
| Wattrelos Lille, France                                          | D       | 9 Mar 06         | 0.7                         | 1.7                        | 2.4                                    | 21 Dec 06                       | 0.7                            | (2.5)                        | –                                                      | –                           |

## Note 14 Investment properties (continued)

| Properties                                        | I, D, R | Acquisition Date | Original Purchase Price \$M | Cost since Acquisition \$M | Cost including Capital Expenditure \$M | Last Independent Valuation Date | Last Independent Valuation \$M | Disposal during the year \$M | Revaluation Increment/ (Decrement) during the year \$M | Book Value 30 June 2007 \$M |
|---------------------------------------------------|---------|------------------|-----------------------------|----------------------------|----------------------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------------------|-----------------------------|
| <b>Europe (continued)</b>                         |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| <b>Warehouse/Distribution Centres (continued)</b> |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Willebroek, Belgium                               | D       | 1 Jun 06         | 53.2                        | 12.6                       | 65.8                                   |                                 | –                              | (47.1)                       | –                                                      | 17.7                        |
| Leipzig, Germany                                  | D       | 13 Feb 06        | 26.1                        | 15.7                       | 41.8                                   |                                 | –                              | (41.8)                       | –                                                      | –                           |
| Bremen, Germany                                   | D       | 1 Jun 06         | 1.7                         | 39.0                       | 40.7                                   |                                 | –                              | (40.7)                       | –                                                      | –                           |
| Anagni, Italy                                     | D       | 1 Jun 06         | 15.4                        | 21.1                       | 36.5                                   |                                 | –                              | (36.5)                       | –                                                      | –                           |
| Grolsheim, Germany                                | D       | 1 Jun 06         | 12.1                        | 1.1                        | 13.2                                   |                                 | –                              | (13.2)                       | –                                                      | –                           |
| Jazlovce, Czech Republic                          | D       | 26 Feb 07        | 3.5                         | 0.7                        | 4.2                                    |                                 | –                              | (4.2)                        | –                                                      | –                           |
| Lyon, France                                      | D       | 1 Jun 06         | 0.2                         | 0.1                        | 0.3                                    |                                 | –                              | (0.3)                        | –                                                      | –                           |
| Torun, Poland                                     | D       | 28 Feb 07        | 0.8                         | 0.1                        | 0.9                                    |                                 | –                              | (0.9)                        | –                                                      | –                           |
| Kecskemet, Hungary                                | I       | 24 Nov 06        | 19.4                        | 0.1                        | 19.5                                   |                                 | –                              | (19.5)                       | –                                                      | –                           |
| <b>Business Parks</b>                             |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Rebstock Park Akeler, Frankfurt, Germany          | D       | 14 Nov 06        | 2.5                         | –                          | 2.5                                    | 14 Nov 06                       | 2.4                            | –                            | –                                                      | 2.4                         |
| Munich Airpark, Germany                           | D       | 14 Nov 06        | 0.7                         | –                          | 0.7                                    | 14 Nov 06                       | 0.7                            | –                            | –                                                      | 0.7                         |
| Leith, Edinburgh, United Kingdom                  | D       | 8 Aug 06         | 0.2                         | –                          | 0.2                                    | 8 Aug 06                        | 0.2                            | –                            | –                                                      | 0.2                         |
| <b>Suburban Commercial Buildings</b>              |         |                  |                             |                            |                                        |                                 |                                |                              |                                                        |                             |
| Paris Airpark, France                             | I       | 14 Nov 06        | 75.2                        | 0.1                        | 75.3                                   | 14 Nov 06                       | 72.2                           | –                            | –                                                      | 72.2                        |
| Roosendaal, Holland                               | D       | 29 Nov 06        | 6.2                         | 18.5                       | 24.7                                   | 29 Nov 06                       | 23.7                           | –                            | –                                                      | 23.7                        |
| Bracknell, United Kingdom                         | I       | 20 Sep 06        | 79.4                        | –                          | 79.4                                   | 20 Sep 06                       | –                              | (79.4)                       | –                                                      | –                           |
| Stockley Park, United Kingdom                     | I       | 20 Sep 06        | 62.1                        | –                          | 62.1                                   | 20 Sep 06                       | –                              | (62.1)                       | –                                                      | –                           |
| Leatherhead, United Kingdom                       | I       | 20 Sep 06        | 57.9                        | –                          | 57.9                                   | 20 Sep 06                       | –                              | (57.9)                       | –                                                      | –                           |
| Hengelo, Holland                                  | D       | 11 Apr 06        | 8.1                         | –                          | 8.1                                    | 11 Apr 06                       | 8.1                            | (8.1)                        | –                                                      | –                           |
|                                                   |         |                  | 1,580.1                     | 204.8                      | 1,784.9                                |                                 |                                | (544.5)                      | –                                                      | 1,215.3                     |
| <b>Portfolio total</b>                            |         |                  | 5,344.7                     | 1,186.6                    | 6,531.3                                |                                 |                                | (1,170.0)                    | 64.0                                                   | 5,360.0                     |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 15 Investments accounted for using the equity method

|                                                           | Consolidated   |              |
|-----------------------------------------------------------|----------------|--------------|
|                                                           | 2007<br>\$M    | 2006<br>\$M  |
| Share of net assets accounted for using the equity method |                |              |
| Associates (a)                                            | 902.1          | 454.7        |
| Joint venture entities (b)                                | 190.0          | 20.5         |
| <b>Total</b>                                              | <b>1,092.1</b> | <b>475.2</b> |

### (a) Investments in Associates

| Name                                                                                                                        | Principal activities | Country of incorporation/establishment | Share of associate's profit recognised |             | Consolidated ownership interest |           | Consolidated investment carrying amount |              |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------|----------------------------------------|-------------|---------------------------------|-----------|-----------------------------------------|--------------|
|                                                                                                                             |                      |                                        | 2007<br>\$M                            | 2006<br>\$M | 2007<br>%                       | 2006<br>% | 2007<br>\$M                             | 2006<br>\$M  |
| Ascendas-MGM Funds Management Limited ("AMFM")                                                                              | Funds management     | Singapore                              | 6.2                                    | 4.8         | 40.0                            | 40.0      | 16.1                                    | 8.8          |
| Arlington UK Balanced Property Fund plc ("Balanced Fund") <sup>(1)</sup>                                                    | Property investment  | Republic of Ireland                    | 0.7                                    | –           | 24.4                            | –         | 45.7                                    | –            |
| Goodman Australia Industrial Fund ("GAIF") (formerly Macquarie Goodman Wholesale Fund)                                      | Property investment  | Australia                              | 36.5                                   | 16.6        | 30.0                            | 30.0      | 407.4                                   | 189.3        |
| GELF                                                                                                                        | Property investment  | Luxembourg                             | 5.1                                    | –           | 27.2                            | –         | 84.4                                    | –            |
| Goodman Property Trust ("GMT") (formerly Macquarie Goodman Property Trust)                                                  | Property investment  | New Zealand                            | 25.5                                   | 20.1        | 27.5                            | 29.4      | 205.7                                   | 155.1        |
| Macquarie Goodman Hong Kong Logistics Fund ("MGLF-HK") (formerly Macquarie Goodman Hong Kong Wholesale Fund) <sup>(2)</sup> | Property investment  | Cayman Islands                         | 16.3                                   | 3.6         | 20.0                            | 16.8      | 142.8                                   | 101.5        |
| Regent Residential Trust ("Regent")                                                                                         | Property investment  | United Kingdom                         | 17.5                                   | –           | –                               | –         | –                                       | –            |
|                                                                                                                             |                      |                                        | <b>107.8</b>                           | <b>45.1</b> |                                 |           | <b>902.1</b>                            | <b>454.7</b> |

(1) The Consolidated Entity increased its interest in the Balanced Fund from 18.0% to 24.4% on 8 January 2007 and began accounting for this investment using the equity method from this date.

(2) MGLF-HK was equity accounted in the comparative period and up to 17 April 2007 as the Company has undertaken to hold a minimum equity interest of 20%. This commitment allows the Company to include MBL's interest in MGLF-HK in calculating the relevant interest held. The Consolidated Entity increased its equity interest to 20% on 17 April 2007.

GMT and Balanced Fund are listed securities. The market values of the Consolidated Entity's investments at 30 June 2007 using the quoted prices on the last day of trading were \$242.0 million and \$44.9 million respectively.

## Note 15 Investments accounted for using the equity method (continued)

### (a) Investments in Associates (continued)

| Name          | Year ended<br>30 June | Revenue and<br>other income<br>(100%)<br>\$M | Tax (100%)<br>\$M | Profit after<br>tax (100%)<br>\$M | Total assets<br>(100%)<br>\$M | Total liabilities<br>(100%)<br>\$M | Net assets<br>as reported<br>by associate<br>(100%)<br>\$M |
|---------------|-----------------------|----------------------------------------------|-------------------|-----------------------------------|-------------------------------|------------------------------------|------------------------------------------------------------|
| AMFM          | 2007                  | 20.8                                         | 3.1               | 13.6                              | 40.2                          | 5.2                                | 35.0                                                       |
|               | 2006                  | 20.9                                         | 2.7               | 11.9                              | 28.1                          | 6.6                                | 21.5                                                       |
| Balanced Fund | 2007                  | 6.3                                          | –                 | 2.2                               | 347.3                         | 159.9                              | 187.4                                                      |
|               | 2006                  | –                                            | –                 | –                                 | –                             | –                                  | –                                                          |
| GAIF          | 2007                  | 190.2                                        | –                 | 136.4                             | 2,082.1                       | 741.3                              | 1,340.8                                                    |
|               | 2006                  | 38.9                                         | –                 | 30.5                              | 1,253.3                       | 635.8                              | 617.5                                                      |
| GELF          | 2007                  | 22.8                                         | 0.6               | 17.0                              | 575.4                         | 294.1                              | 281.3                                                      |
|               | 2006                  | –                                            | –                 | –                                 | –                             | –                                  | –                                                          |
| GMT           | 2007                  | 140.6                                        | 23.9              | 114.3                             | 1,094.9                       | 398.1                              | 696.8                                                      |
|               | 2006                  | 86.8                                         | 12.3              | 58.8                              | 827.2                         | 317.5                              | 509.7                                                      |
| MGLF-HK       | 2007                  | 71.0                                         | 2.0               | 34.7                              | 1,258.1                       | 544.0                              | 714.1                                                      |
|               | 2006                  | 20.9                                         | 0.5               | 7.9                               | 877.2                         | 273.0                              | 604.2                                                      |
| Regent        | 2007                  | 41.4                                         | –                 | 40.8                              | –                             | –                                  | –                                                          |
|               | 2006                  | –                                            | –                 | –                                 | –                             | –                                  | –                                                          |

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

|                                                    | Consolidated |              |
|----------------------------------------------------|--------------|--------------|
|                                                    | 2007<br>\$M  | 2006<br>\$M  |
| <b>Movements in Carrying Amount of Investments</b> |              |              |
| Carrying amount at the beginning of the year       | 454.7        | 120.0        |
| Share of net results after tax of associates       | 107.8        | 45.1         |
| Share of increment on revaluation of investments   | 2.6          | 0.3          |
| Transfers in from other financial assets           | 31.8         | –            |
| Investments in associates during the year          | 528.6        | 475.3        |
| Distributions received and receivable              | (42.7)       | (24.0)       |
| Disposals of investments                           | (170.8)      | (142.6)      |
| Foreign currency translation                       | (9.9)        | (19.4)       |
| <b>Carrying amount at the end of the year</b>      | <b>902.1</b> | <b>454.7</b> |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 15 Investments accounted for using the equity method (continued)

### (b) Interests in Joint Venture Entities

| Name                                                                            | Principal activities               | Country of incorporation/establishment | Share of joint venture's profit/(loss) recognised |          | Consolidated ownership interest |        | Consolidated investment carrying amount |          |
|---------------------------------------------------------------------------------|------------------------------------|----------------------------------------|---------------------------------------------------|----------|---------------------------------|--------|-----------------------------------------|----------|
|                                                                                 |                                    |                                        | 2007 \$M                                          | 2006 \$M | 2007 %                          | 2006 % | 2007 \$M                                | 2006 \$M |
| Macquarie Goodman Asia Limited ("MGA")                                          | Funds management                   | Hong Kong                              | 1.7                                               | (0.2)    | 50.0                            | 50.0   | 1.4                                     | (0.2)    |
| Macquarie Goodman Japan Pte Limited ("MGJ")                                     | Property management and investment | Singapore                              | –                                                 | –        | 50.0                            | –      | 147.6                                   | –        |
| Colworth Business Park Partnership ("Colworth")                                 | Property investment                | United Kingdom                         | 2.7                                               | 1.2      | 50.0                            | 50.0   | 20.8                                    | 20.7     |
| Toll Goodman Property Services Pty Ltd ("TGPS") (formerly TMG Services Limited) | Property investment                | Australia                              | 1.8                                               | –        | 50.0                            | –      | 2.0                                     | –        |
| BGA1 Pty Ltd (formerly BMGW Pty Ltd)                                            | Property investment                | Australia                              | 7.2                                               | –        | 50.0                            | –      | 7.2                                     | –        |
| BL Rosemound Limited Partnership ("BLRLP")                                      | Property investment                | United Kingdom                         | –                                                 | –        | 50.0                            | –      | 11.0                                    | –        |
| MGI Hong Kong Investments ("MGIHK")                                             | Property investment                | Cayman Islands                         | –                                                 | 0.6      | –                               | –      | –                                       | –        |
|                                                                                 |                                    |                                        | 13.4                                              | 1.6      |                                 |        | 190.0                                   | 20.5     |

|                                                                | Consolidated |             |
|----------------------------------------------------------------|--------------|-------------|
|                                                                | 2007 \$M     | 2006 \$M    |
| <b>Movements in Carrying Amount of Investments</b>             |              |             |
| Carrying amount at the beginning of the year                   | 20.5         | –           |
| Share of net results after tax of joint venture entities       | 13.4         | 1.6         |
| Investments in joint ventures entities during the year         | 149.6        | –           |
| Increase on acquisition of controlled entities during the year | 11.5         | 18.8        |
| Distributions received and receivable                          | (1.4)        | (0.8)       |
| Foreign currency translation                                   | (3.6)        | 0.9         |
| <b>Carrying amount at the end of the year</b>                  | <b>190.0</b> | <b>20.5</b> |

## Note 15 Investments accounted for using the equity method (continued)

### (b) Interests in Joint Venture Entities (continued)

| Name         | Year ended<br>30 June | Revenue and<br>other income<br>(100%)<br>\$M | Tax (100%)<br>\$M | Profit/(loss)<br>after tax<br>(100%)<br>\$M | Total assets<br>(100%)<br>\$M | Total liabilities<br>(100%)<br>\$M |
|--------------|-----------------------|----------------------------------------------|-------------------|---------------------------------------------|-------------------------------|------------------------------------|
| MGA          | 2007                  | 14.6                                         | 3.8               | 3.1                                         | 11.2                          | 8.5                                |
|              | 2006                  | 1.3                                          | —                 | (0.4)                                       | 6.6                           | 7.0                                |
| MGJ          | 2007                  | —                                            | —                 | —                                           | 290.6                         | —                                  |
|              | 2006                  | —                                            | —                 | —                                           | —                             | —                                  |
| Colworth     | 2007                  | 9.3                                          | 7.8               | 5.5                                         | 98.8                          | 57.2                               |
|              | 2006                  | 4.5                                          | 3.4               | 2.4                                         | 102.3                         | 60.9                               |
| TGPS         | 2007                  | 8.5                                          | 2.3               | 3.7                                         | 6.3                           | 2.7                                |
|              | 2006                  | —                                            | —                 | —                                           | —                             | —                                  |
| BGA1 Pty Ltd | 2007                  | 18.9                                         | —                 | 14.4                                        | 20.1                          | 5.7                                |
|              | 2006                  | —                                            | —                 | —                                           | —                             | —                                  |
| BLRLP        | 2007                  | —                                            | —                 | —                                           | 63.4                          | 41.3                               |
|              | 2006                  | —                                            | —                 | —                                           | —                             | —                                  |
| MGIHK        | 2007                  | —                                            | —                 | —                                           | —                             | —                                  |
|              | 2006                  | 25.0                                         | —                 | 1.2                                         | —                             | —                                  |

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

Included in the amounts disclosed above are total non-current assets of \$446.9 million (2006: \$99.9 million) and total non-current liabilities of \$94.6 million (2006: \$57.4 million).

## Note 16 Other financial assets

|                                                                  | Consolidated |              | Parent Entity |              |
|------------------------------------------------------------------|--------------|--------------|---------------|--------------|
|                                                                  | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M  |
| Investments in controlled entities:                              |              |              |               |              |
| - Unlisted securities, at cost <sup>(1),(2)</sup>                | —            | —            | 476.6         | 363.3        |
| Investments in listed securities, at fair value <sup>(3)</sup>   | 202.1        | 137.4        | —             | —            |
| Investments in unlisted securities, at fair value <sup>(4)</sup> | 204.9        | 93.8         | —             | —            |
|                                                                  | <b>407.0</b> | <b>231.2</b> | <b>476.6</b>  | <b>363.3</b> |

(1) Refer to note 28 for details of investments in controlled entities.

(2) As set out in note 1(t), where the Company has issued or purchased securities in advance of ESAP vesting conditions being met by employees, the Company recognises the amount payable to GIT as a payable and the related asset as an increase in its investment in GIT. Previously the related asset was recognised by the Company within Treasury Securities. As a result of this change, the investment in controlled entities has been increased by \$108.7 million in the comparative year. A corresponding adjustment has been made to Treasury Securities in the comparative year.

(3) Investments in listed securities include units in A-REIT with a carrying value of \$190.0 million (2006: \$132.1 million).

(4) Investments in unlisted securities include units in ABPP with a carrying value of \$188.9 million (2006: \$86.3 million). As detailed in note 35, an additional \$245.2 million was invested in ABPP in July and August 2007. The fair values of investments in unlisted securities are determined by reference to the net asset value per security advised to investors.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 17 Property, plant and equipment

|                                                               | Consolidated |             | Parent Entity |             |
|---------------------------------------------------------------|--------------|-------------|---------------|-------------|
|                                                               | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Leasehold improvements, at cost                               | 9.0          | 2.4         | –             | –           |
| Accumulated amortisation                                      | (0.7)        | (0.2)       | –             | –           |
|                                                               | <b>8.3</b>   | <b>2.2</b>  | <b>–</b>      | <b>–</b>    |
| Property, plant and equipment, at cost                        | 19.1         | 12.8        | –             | –           |
| Accumulated depreciation                                      | (6.1)        | (2.8)       | –             | –           |
|                                                               | <b>13.0</b>  | <b>10.0</b> | <b>–</b>      | <b>–</b>    |
| <b>Total property, plant and equipment, at net book value</b> | <b>21.3</b>  | <b>12.2</b> | <b>–</b>      | <b>–</b>    |
| <b>Reconciliation</b>                                         |              |             |               |             |
| <b>Leasehold Improvements</b>                                 |              |             |               |             |
| Carrying amount at the beginning of the year                  | 2.2          | 1.4         | –             | –           |
| Additions                                                     | 9.1          | 0.9         | –             | –           |
| Disposals                                                     | (2.3)        | (0.1)       | –             | –           |
| Amortisation                                                  | (0.4)        | –           | –             | –           |
| Foreign currency translation                                  | (0.3)        | –           | –             | –           |
| <b>Carrying amount at the end of the year</b>                 | <b>8.3</b>   | <b>2.2</b>  | <b>–</b>      | <b>–</b>    |
| <b>Property, Plant and Equipment</b>                          |              |             |               |             |
| Carrying amount at the beginning of the year                  | 10.0         | 1.9         | –             | –           |
| Additions on acquisition of controlled entities               | 0.2          | 5.1         | –             | –           |
| Other additions                                               | 8.1          | 4.1         | –             | –           |
| Disposals                                                     | (1.7)        | –           | –             | –           |
| Depreciation                                                  | (3.4)        | (1.1)       | –             | –           |
| Foreign currency translation                                  | (0.2)        | –           | –             | –           |
| <b>Carrying amount at the end of the year</b>                 | <b>13.0</b>  | <b>10.0</b> | <b>–</b>      | <b>–</b>    |

## Note 18 Intangible assets

|                                                               | Consolidated   |                | Parent Entity |             |
|---------------------------------------------------------------|----------------|----------------|---------------|-------------|
|                                                               | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M   | 2006<br>\$M |
| Management rights relating to European operations, at cost    | 509.5          | 476.2          | –             | –           |
| Management rights relating to New Zealand operations, at cost | 6.0            | 5.6            | –             | –           |
| Goodwill relating to European operations, at cost             | 766.3          | 703.8          | –             | –           |
|                                                               | <b>1,281.8</b> | <b>1,185.6</b> | <b>–</b>      | <b>–</b>    |

### Allocation of intangible assets arising on acquisition of Arlington

The reorganisation of the UK and European operations along business activity lines was completed during the year. The historical contribution to earnings before interest, tax, depreciation and amortisation ("EBITDA") and market based assessment of multiples paid by business activity was adopted as the basis used to allocate intangible assets arising on previous acquisitions.

A reconciliation of the movement in intangible assets for the year is set out below:

## Note 18 Intangible assets (continued)

| Reconciliation           | Note  | Carrying amount at the beginning of the year<br>\$M | Acquisitions <sup>(1)</sup><br>\$M | Adjustments<br>\$M | Foreign exchange<br>\$M | Carrying amount at the end of the year<br>\$M |
|--------------------------|-------|-----------------------------------------------------|------------------------------------|--------------------|-------------------------|-----------------------------------------------|
| <b>Europe</b>            |       |                                                     |                                    |                    |                         |                                               |
| Business parks           | 18(a) | 198.3                                               | 60.6                               | –                  | (11.8)                  | 247.1                                         |
| Logistics                | 18(b) | 729.0                                               | 124.8                              | (15.4)             | (48.6)                  | 789.8                                         |
| Funds management         | 18(c) | 252.7                                               | –                                  | –                  | (13.8)                  | 238.9                                         |
| <b>Subtotal – Europe</b> |       | <b>1,180.0</b>                                      | <b>185.4</b>                       | <b>(15.4)</b>      | <b>(74.2)</b>           | <b>1,275.8</b>                                |
| <b>New Zealand</b>       |       |                                                     |                                    |                    |                         |                                               |
| Funds management         | 18(d) | 5.6                                                 | –                                  | –                  | 0.4                     | 6.0                                           |
| <b>Total</b>             |       | <b>1,185.6</b>                                      | <b>185.4</b>                       | <b>(15.4)</b>      | <b>(73.8)</b>           | <b>1,281.8</b>                                |

(1) Acquisitions relate to the amount of intangible assets arising from the acquisition of the Akeler and Rosemound businesses during the year. Refer to note 3 for full details of these transactions.

The management rights relating to European and New Zealand operations have been assessed to have an indefinite life as these rights are routinely renewed at minimal cost.

### Impairment testing for intangible assets

The impairment tests for all intangible assets were based on the unit's fair value less costs to sell. Fair value is estimated based on each business unit's estimated contribution to EBITDA. A multiple of EBITDA was used to determine fair value. The current year EBITDA for each business unit was equal to or greater than the EBITDA target used to determine the acquisition price. Forecast EBITDA for each business unit for the next 12 months is equal to or greater than the EBITDA target at acquisition date. Consequently, no assumptions were made regarding future growth in the EBITDA levels or in the extent of their geographical or market operations. A review of published EBITDA multiples for comparable transactions in Europe since 1 July 2006 was performed at 30 June 2007. As these were equal to or greater than the EBITDA multiples calculated on acquisition in each case, the multiples arising on acquisition continue to be adopted for the purposes of establishing recoverable amount.

#### (a) Business parks – Europe

The business parks intangible assets arising from the acquisition of Arlington were increased as a result of the Akeler acquisition. The overall weighted average multiple of EBITDA adopted for the impairment assessment as at 30 June 2007 was 9.2 times.

#### (b) Logistics – Europe

Intangible assets relating to European logistics relate to amounts arising on acquisition of Eurinpro, an attribution of amounts arising on acquisition of Arlington based on the historical EBITDA contribution from this segment, and amounts arising on the acquisition of Rosemound. The weighted average multiple of EBITDA adopted for the assessment was 7.5 times.

#### (c) Funds management – Europe

Management rights relating to funds management arise as a result of the acquisition of Arlington. The weighted average multiple of EBITDA adopted for European funds management was 8.9 times.

#### (d) Funds management – New Zealand

Management rights relating to the New Zealand funds management business have been reviewed based on the unit's annual earnings. No impairment is required as future earnings from these rights are expected to continue at similar or greater levels.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 19 Payables

|                                               | Consolidated |              | Parent Entity |             |
|-----------------------------------------------|--------------|--------------|---------------|-------------|
|                                               | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M |
| <b>Current</b>                                |              |              |               |             |
| Trade creditors                               | 50.5         | 46.7         | —             | —           |
| Other creditors and accruals <sup>(1)</sup>   | 253.1        | 98.6         | 25.0          | 58.9        |
| Deferred settlements                          | 21.0         | 89.3         | —             | —           |
| Distributions to RePS holders                 | —            | 0.6          | —             | —           |
|                                               | <b>324.6</b> | <b>235.2</b> | <b>25.0</b>   | <b>58.9</b> |
| <b>Non-current</b>                            |              |              |               |             |
| Deferred settlements <sup>(2)</sup>           | 105.3        | 204.0        | —             | —           |
| Loans from controlled entities <sup>(3)</sup> | —            | —            | 568.9         | 8.6         |
|                                               | <b>105.3</b> | <b>204.0</b> | <b>568.9</b>  | <b>8.6</b>  |

(1) Other creditors and accruals include unpaid interest, capital accruals and overseas tax payable.

(2) Deferred settlements at 30 June 2007 include amounts for the acquisitions of Arlington and Eurinpro. Amounts payable after 12 months have been discounted at the Consolidated Entity's weighted average cost of debt.

(3) Details of loans from controlled entities are set out in note 31.

Payables denominated in currencies other than Australian dollars are as follows:

| Amounts in A\$M | NZD  | HKD | SGD | GBP   | EUR   | YEN |
|-----------------|------|-----|-----|-------|-------|-----|
| 2007            | 22.1 | 3.2 | 3.6 | 205.1 | 113.0 | 0.2 |
| 2006            | 41.6 | 1.3 | 4.2 | 125.4 | 208.8 | —   |

## Note 20 Interest bearing liabilities

|                                                              |       | Consolidated |             | Parent Entity |             |
|--------------------------------------------------------------|-------|--------------|-------------|---------------|-------------|
|                                                              | Note  | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Current                                                      |       |              |             |               |             |
| Bank loans – unsecured                                       | 20(a) | 1,595.1      | –           | –             | –           |
| Bank loans – secured                                         | 20(b) | 81.2         | 555.7       | –             | –           |
| Other loans – Commercial Mortgage Backed Securities (“CMBS”) | 20(c) | 600.3        | 602.9       | –             | –           |
| RePS                                                         | 20(d) | –            | 33.8        | –             | –           |
|                                                              |       | 2,276.6      | 1,192.4     | –             | –           |
| Non-current                                                  |       |              |             |               |             |
| Bank loans – unsecured                                       | 20(a) | 1,407.4      | –           | –             | –           |
| Bank loans – secured                                         | 20(b) | 177.6        | 979.9       | –             | –           |
| Other loans – controlled entities                            |       | –            | –           | 655.2         | 730.0       |
|                                                              |       | 1,585.0      | 979.9       | 655.2         | 730.0       |

### (a) Bank loans – unsecured as at 30 June 2007

| Facility                                                   | Amounts drawn down in A\$M equivalents |             |              |              |             |                |              |              | Total          |
|------------------------------------------------------------|----------------------------------------|-------------|--------------|--------------|-------------|----------------|--------------|--------------|----------------|
|                                                            | AUD                                    | SGD         | NZD          | HKD          | USD         | GBP            | EUR          | YEN          |                |
| Syndicated Multi-currency Facility (“SMCF”) <sup>(1)</sup> | 409.5                                  | 68.7        | 380.2        | 142.3        | 49.8        | 170.6          | 36.8         | 146.2        | 1,404.1        |
| Bank loans <sup>(2)</sup>                                  | –                                      | –           | –            | –            | –           | 912.3          | 192.3        | –            | 1,104.6        |
| Bank loan <sup>(3)</sup>                                   | –                                      | –           | –            | –            | –           | 27.6           | –            | –            | 27.6           |
| Bank loan <sup>(4)</sup>                                   | –                                      | –           | –            | –            | –           | 468.7          | 3.2          | –            | 471.9          |
|                                                            | <b>409.5</b>                           | <b>68.7</b> | <b>380.2</b> | <b>142.3</b> | <b>49.8</b> | <b>1,579.2</b> | <b>232.3</b> | <b>146.2</b> | <b>3,008.2</b> |
| Less: Unamortised borrowing costs                          |                                        |             |              |              |             |                |              |              | (5.7)          |
|                                                            |                                        |             |              |              |             |                |              |              | <b>3,002.5</b> |

(1) On 24 May 2007, the terms of the SMCF were amended and the facility became unsecured. The facility comprises five revolving tranches, a A\$100 million one year working capital tranche, a A\$460 million two year tranche, a A\$520 million three year tranche, a A\$520 million four year tranche and a A\$400 million five year tranche.

(2) Controlled entities have bank loans of A\$1,104.6 million which are denominated in pounds sterling (A\$912.3 million) and euros (A\$192.3 million). The facilities expire on 9 April 2008. Any resulting foreign currency exposure is economically hedged by investments in assets located in Europe and the United Kingdom purchased with the proceeds.

(3) A controlled entity has a bank loan of A\$27.6 million denominated in pounds sterling. The facility expires on 24 May 2009. Any resulting foreign currency exposure is economically hedged by investments in United Kingdom assets purchased with the proceeds.

(4) Controlled entities have bank loans of A\$471.9 million which are denominated in pounds sterling (A\$468.7 million) and euros (A\$3.2 million). The facility expires on 31 December 2007. Any resulting foreign currency exposure is economically hedged by investments in assets located in Europe and United Kingdom purchased with the proceeds.

There were no unsecured bank loans at 30 June 2006.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 20 Interest bearing liabilities (continued)

### (b) Bank loans – secured

| Facility                        | Year ended<br>30 June | Amounts drawn down in A\$M equivalents |              |              |             |             |              |              | Total          |
|---------------------------------|-----------------------|----------------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|----------------|
|                                 |                       | AUD                                    | SGD          | NZD          | HKD         | USD         | GBP          | EUR          |                |
| SMCF <sup>(1)</sup>             | 2007                  | –                                      | –            | –            | –           | –           | –            | –            | –              |
|                                 | 2006                  | 257.0                                  | 44.6         | 274.2        | 99.7        | 11.1        | 78.7         | 46.0         | 811.3          |
| Bank loan <sup>(2)</sup>        | 2007                  | –                                      | 89.6         | –            | –           | –           | –            | –            | 89.6           |
|                                 | 2006                  | –                                      | 108.2        | –            | –           | –           | –            | –            | 108.2          |
| Bank loan <sup>(3)</sup>        | 2007                  | –                                      | –            | 13.7         | –           | –           | –            | –            | 13.7           |
|                                 | 2006                  | –                                      | –            | 3.3          | –           | –           | –            | –            | 3.3            |
| Bank loan <sup>(4)</sup>        | 2007                  | –                                      | –            | –            | –           | –           | 155.5        | –            | 155.5          |
|                                 | 2006                  | –                                      | –            | –            | –           | –           | 60.4         | –            | 60.4           |
| Bank loan <sup>(5)</sup>        | 2007                  | –                                      | –            | –            | –           | –           | –            | –            | –              |
|                                 | 2006                  | –                                      | –            | –            | –           | –           | –            | 558.3        | 558.3          |
| <b>Total bank loans</b>         | <b>2007</b>           | <b>–</b>                               | <b>89.6</b>  | <b>13.7</b>  | <b>–</b>    | <b>–</b>    | <b>155.5</b> | <b>–</b>     | <b>258.8</b>   |
|                                 | <b>2006</b>           | <b>257.0</b>                           | <b>152.8</b> | <b>277.5</b> | <b>99.7</b> | <b>11.1</b> | <b>139.1</b> | <b>604.3</b> | <b>1,541.5</b> |
| <b>Less:</b>                    |                       |                                        |              |              |             |             |              |              |                |
| Unamortised borrowing costs     | 2007                  |                                        |              |              |             |             |              |              | –              |
|                                 | 2006                  |                                        |              |              |             |             |              |              | (5.9)          |
| <b>Total secured bank loans</b> | <b>2007</b>           |                                        |              |              |             |             |              |              | <b>258.8</b>   |
|                                 | <b>2006</b>           |                                        |              |              |             |             |              |              | <b>1,535.6</b> |

(1) During the year the terms of the SMCF were amended and the facility is now classified as unsecured.

(2) Controlled entities have drawn bank loans of A\$79.6 million and A\$10.0 million denominated in Singapore dollars (2006: A\$95.6 million and A\$12.6 million respectively). The former facility expires on 26 November 2007. The latter facility expires in stages on 16 August 2007 (A\$0.8 million), 16 February 2008 (A\$0.8 million), 16 August 2008 (A\$0.8 million) and 16 February 2009 (A\$7.6 million). Any resulting foreign currency exposure is economically hedged by corresponding Singapore investments purchased with the proceeds.

(3) A controlled entity has drawn a bank loan of A\$13.7 million which is denominated in New Zealand dollars (2006: A\$3.3 million). The facility expires on 31 July 2008. Any resulting foreign currency exposure is economically hedged by investments in New Zealand assets purchased with the proceeds.

(4) Controlled entities have bank loans of A\$155.5 million denominated in pounds sterling (2006: A\$60.4 million). The facility expires on 20 September 2009.

(5) Controlled entities did not have any secured bank loans denominated in euros at 30 June 2007 (2006: A\$558.3 million). Expected maturity of these loans as at 30 June 2006 was as follows: A\$479.0 million to expire at various dates in the year ending 30 June 2007 and A\$69.6 million and A\$9.7 million to expire at various dates in the years ending 30 June 2008 and 2009 respectively. On 24 May 2007, the terms of these facilities were amended and various facilities were converted to an unsecured basis. Any resulting foreign currency exposure is economically hedged by investments in assets located in Europe purchased with the proceeds.

Security for all loans of the above is by way of first and second ranking charges over various assets of the Consolidated Entity.

### (c) Other loans – CMBS

The CMBS notes on issue at 30 June 2006 matured on 7 November 2006. On maturity, these were refinanced by the issue of further unrated notes to the same value which expire on 7 May 2008. The terms of these notes were changed to an unsecured footing on 24 May 2007. The notes are denominated in pounds sterling (A\$329.6 million), in euros (A\$171.6 million) and Australian dollars (A\$99.1 million). Any resulting foreign currency exposure is economically hedged by investments in assets located in Europe and the United Kingdom purchased with the proceeds.

### (d) RePS

RePS were a class of securities that provided preferred distributions fixed for an initial period. The fixed return provides for a distribution rate of 7.5% per annum. At the discretion of the Consolidated Entity, all remaining RePS on 30 October 2006 were converted to Goodman securities at that date.

## Note 20 Interest bearing liabilities (continued)

### (e) Finance facilities

|                        | Consolidated                |                            | Parent Entity               |                            |
|------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
|                        | Facilities available<br>\$M | Facilities utilised<br>\$M | Facilities available<br>\$M | Facilities utilised<br>\$M |
| <b>At 30 June 2007</b> |                             |                            |                             |                            |
| Bank loans – unsecured | 3,700.3                     | 3,002.5                    | –                           | –                          |
| Bank loans – secured   | 316.2                       | 258.8                      | –                           | –                          |
| Other loans – CMBS     | 600.3                       | 600.3                      | –                           | –                          |
|                        | <b>4,616.8</b>              | <b>3,861.6</b>             | <b>–</b>                    | <b>–</b>                   |
| <b>At 30 June 2006</b> |                             |                            |                             |                            |
| Bank loans – secured   | 2,226.2                     | 1,541.5                    | –                           | –                          |
| Other loans – CMBS     | 602.9                       | 602.9                      | –                           | –                          |
|                        | <b>2,829.1</b>              | <b>2,144.4</b>             | <b>–</b>                    | <b>–</b>                   |

### (f) Exposure to interest rate changes

The Consolidated Entity's exposure to interest rate changes is set out in note 33(a).

## Note 21 Provisions

|                                  | Note | Consolidated |              | Parent Entity |             |
|----------------------------------|------|--------------|--------------|---------------|-------------|
|                                  |      | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M |
| <b>Current</b>                   |      |              |              |               |             |
| Distributions to Securityholders | 10   | 129.9        | 108.5        | –             | –           |
| Employee benefits                | 32   | 13.1         | 4.6          | –             | –           |
|                                  |      | <b>143.0</b> | <b>113.1</b> | <b>–</b>      | <b>–</b>    |
| <b>Non-current</b>               |      |              |              |               |             |
| Employee benefits                | 32   | 22.9         | 20.0         | –             | –           |
|                                  | 32   | <b>22.9</b>  | <b>20.0</b>  | <b>–</b>      | <b>–</b>    |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 22 Issued capital

|                                                           | Consolidated         |                      |
|-----------------------------------------------------------|----------------------|----------------------|
|                                                           | 2007                 | 2006                 |
| <b>Securities on Issue</b>                                |                      |                      |
| Number of securities on issue on the ASX                  | 1,692,736,692        | 1,608,822,481        |
| Less: Treasury Securities issued under the ESAP           | (42,613,035)         | (30,902,875)         |
| <b>Balance included in issued capital</b>                 | <b>1,650,123,657</b> | <b>1,577,919,606</b> |
|                                                           | <b>\$M</b>           | <b>\$M</b>           |
| <b>Parent Entity</b>                                      |                      |                      |
| Issued capital, fully paid                                | 186.0                | 169.1                |
| Treasury Securities                                       | (1.5)                | (1.5)                |
| Issue costs                                               | (5.6)                | (6.2)                |
| <b>Equity attributable to Shareholders</b>                | <b>178.9</b>         | <b>161.4</b>         |
| <b>Goodman Industrial Trust</b>                           |                      |                      |
| Issued capital, fully paid                                | 4,277.6              | 3,795.4              |
| Issue costs                                               | (66.6)               | (66.5)               |
|                                                           | <b>4,211.0</b>       | <b>3,728.9</b>       |
| Less: Amounts attributable to Shareholders <sup>(1)</sup> | (217.8)              | (108.7)              |
| <b>Equity attributable to Unitholders</b>                 | <b>3,993.2</b>       | <b>3,620.2</b>       |
| <b>Total issued capital</b>                               | <b>4,172.1</b>       | <b>3,781.6</b>       |

(1) The equity attributable to Unitholders is reduced on consolidation by the Company's interest in GIT units issued under the ESAP which are not vested. The Company retains an economic interest in these units until they vest under the ESAP. As a result of this change, the equity attributable to the Unitholders at 30 June 2007 and 30 June 2006 has been reduced by \$217.8 million and \$108.7 million respectively. A corresponding increase in the equity attributable to Shareholders has been recorded in each year. There is no change to the net assets of the Consolidated Entity in either the current year or the comparative year as a result of these adjustments.

### Terms and conditions

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

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

## Note 22 Issued capital (continued)

| 2007                                                                                               | Consolidated entity                           |                             |                        |               |                               |                                      |            |                         |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------|------------------------|---------------|-------------------------------|--------------------------------------|------------|-------------------------|
|                                                                                                    | Securities<br>per ASX<br>Number of securities | Treasury<br>Securities<br>M | Consoli-<br>dated<br>M | Equity<br>\$M | Treasury<br>Securities<br>\$M | Consolidation<br>eliminations<br>\$M | GIT<br>\$M | Parent<br>Entity<br>\$M |
| Balance at the beginning of the year                                                               |                                               |                             |                        |               |                               |                                      |            |                         |
| Securities on issue at 1 July                                                                      | 1,608.8                                       | –                           | 1,608.8                | 3,923.2       | –                             | (41.3)                               | 3,795.4    | 169.1                   |
| Treasury Securities at 1 July                                                                      | –                                             | (30.9)                      | (30.9)                 | –             | (68.9)                        | (67.4)                               | –          | (1.5)                   |
| Less: Issue costs                                                                                  | –                                             | –                           | –                      | (72.7)        | –                             | –                                    | (66.5)     | (6.2)                   |
|                                                                                                    | 1,608.8                                       | (30.9)                      | 1,577.9                | 3,850.5       | (68.9)                        | (108.7)                              | 3,728.9    | 161.4                   |
| Movements during the year                                                                          |                                               |                             |                        |               |                               |                                      |            |                         |
| – 40,004,845 securities issued under the Distribution Reinvestment Plan (“DRP”)                    | 40.0                                          | –                           | 40.0                   | 263.0         | –                             | –                                    | 259.1      | 3.9                     |
| – 16,435,500 Treasury Securities issued under the ESAP                                             | 16.4                                          | (16.4)                      | –                      | –             | –                             | (111.4)                              | 111.4      | –                       |
| – 593,333 securities issued on exercise of options                                                 | 0.6                                           | –                           | 0.6                    | 2.0           | –                             | –                                    | 2.0        | –                       |
| – 9,725,620 securities issued under securities purchase plan                                       | 9.7                                           | –                           | 9.7                    | 48.9          | –                             | –                                    | 48.3       | 0.6                     |
| – 5,548,357 institutional placement of securities                                                  | 5.6                                           | –                           | 5.6                    | 28.3          | –                             | –                                    | 28.0       | 0.3                     |
| – 11,606,556 securities issued on conversion of RePS                                               | 11.6                                          | –                           | 11.6                   | 33.8          | –                             | –                                    | 33.4       | 0.4                     |
| – 3,416,664 Treasury Securities (with nil value) converted to securities on vesting under the ESAP | –                                             | 3.4                         | 3.4                    | 9.3           | –                             | –                                    | –          | 9.3                     |
| – 542,011 Treasury Securities converted to securities on vesting under the ESAP                    | –                                             | 0.5                         | 0.5                    | 0.7           | 1.6                           | 2.3                                  | –          | –                       |
| – 766,665 Treasury Securities vested but not exercised                                             | –                                             | 0.8                         | 0.8                    | 2.4           | –                             | –                                    | –          | 2.4                     |
|                                                                                                    | 1,692.7                                       | (42.6)                      | 1,650.1                | 4,311.6       | (67.3)                        | (217.8)                              | 4,277.6    | 184.5                   |
| Issue costs                                                                                        | –                                             | –                           | –                      | (72.2)        | –                             | –                                    | (66.6)     | (5.6)                   |
| Balance at the end of the year                                                                     | 1,692.7                                       | (42.6)                      | 1,650.1                | 4,239.4       | (67.3)                        | (217.8)                              | 4,211.0    | 178.9                   |
| Comprises:                                                                                         |                                               |                             |                        |               |                               |                                      |            |                         |
| Securities on issue at 30 June                                                                     | 1,692.7                                       | –                           | 1,692.7                | 4,311.6       | –                             | (152.0)                              | 4,277.6    | 186.0                   |
| Treasury Securities on issue at 30 June                                                            | –                                             | (42.6)                      | (42.6)                 | –             | (67.3)                        | (65.8)                               | –          | (1.5)                   |
| Less: Issue costs                                                                                  | –                                             | –                           | –                      | (72.2)        | –                             | –                                    | (66.6)     | (5.6)                   |
|                                                                                                    | 1,692.7                                       | (42.6)                      | 1,650.1                | 4,239.4       | (67.3)                        | (217.8)                              | 4,211.0    | 178.9                   |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 22 Issued capital (continued)

| 2006                                                                                                         | Consolidated entity                           |                                                |                        |               |                               |                                      |            |                         |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|------------------------|---------------|-------------------------------|--------------------------------------|------------|-------------------------|
|                                                                                                              | Securities<br>per ASX<br>Number of securities | Treasury<br>Securities<br>Number of securities | Consoli-<br>dated<br>M | Equity<br>\$M | Treasury<br>Securities<br>\$M | Consolidation<br>eliminations<br>\$M | GIT<br>\$M | Parent<br>Entity<br>\$M |
| Balance at the beginning of the year                                                                         |                                               |                                                |                        |               |                               |                                      |            |                         |
| Securities on issue at 1 July                                                                                | 1,405.0                                       | –                                              | 1,405.0                | 3,020.9       | –                             | –                                    | 2,876.7    | 144.2                   |
| Treasury Securities at 1 July                                                                                | –                                             | (8.7)                                          | (8.7)                  | –             | –                             | –                                    | –          | –                       |
| Less: Issue costs                                                                                            | –                                             | –                                              | –                      | (64.7)        | –                             | –                                    | (61.0)     | (3.7)                   |
|                                                                                                              | 1,405.0                                       | (8.7)                                          | 1,396.3                | 2,956.2       | –                             | –                                    | 2,815.7    | 140.5                   |
| Movements during the year                                                                                    |                                               |                                                |                        |               |                               |                                      |            |                         |
| – 75,721,722 securities issued under the DRP                                                                 | 75.7                                          | –                                              | 75.7                   | 339.3         | –                             | –                                    | 328.3      | 11.0                    |
| – 16,900,185 Treasury Securities issued under the ESAP on conversion of RePS                                 | –                                             | (16.9)                                         | (16.9)                 | –             | (69.0)                        | (67.4)                               | –          | (1.6)                   |
| – 7,021,025 Treasury Securities issued under the ESAP                                                        | 7.0                                           | (7.0)                                          | –                      | –             | –                             | (35.9)                               | 35.9       | –                       |
| – Adjustment for difference in price of securities issued under the ESAP and costs to acquire the securities | –                                             | –                                              | –                      | (5.4)         | –                             | (5.4)                                | –          | –                       |
| – 1,033,332 securities issued on exercise of options                                                         | 1.0                                           | –                                              | 1.0                    | 1.8           | –                             | –                                    | 1.7        | 0.1                     |
| – 63,079,094 institutional placement of securities                                                           | 63.1                                          | –                                              | 63.1                   | 321.7         | –                             | –                                    | 314.0      | 7.7                     |
| – 23,516,555 securities issued on conversion of RePS                                                         | 23.5                                          | –                                              | 23.5                   | 74.1          | –                             | –                                    | 72.1       | 2.0                     |
| – 1,668,335 Treasury Securities converted to securities on vesting under the ESAP                            | –                                             | 1.7                                            | 1.7                    | –             | 0.1                           | –                                    | –          | 0.1                     |
| – 33,483,220 securities issued to vendor on acquisition of Eurinpro                                          | 33.5                                          | –                                              | 33.5                   | 170.8         | –                             | –                                    | 166.7      | 4.1                     |
|                                                                                                              | 1,608.8                                       | (30.9)                                         | 1,577.9                | 3,923.2       | (68.9)                        | (108.7)                              | 3,795.4    | 167.6                   |
| Issue costs                                                                                                  | –                                             | –                                              | –                      | (72.7)        | –                             | –                                    | (66.5)     | (6.2)                   |
| Balance at the end of the year                                                                               | 1,608.8                                       | (30.9)                                         | 1,577.9                | 3,850.5       | (68.9)                        | (108.7)                              | 3,728.9    | 161.4                   |
| Comprises:                                                                                                   |                                               |                                                |                        |               |                               |                                      |            |                         |
| Securities on issue at 30 June                                                                               | 1,608.8                                       | –                                              | 1,608.8                | 3,923.2       | –                             | (41.3)                               | 3,795.4    | 169.1                   |
| Treasury Securities on issue at 30 June                                                                      | –                                             | (30.9)                                         | (30.9)                 | 67.4          | (68.9)                        | (67.4)                               | –          | (1.5)                   |
| Less: Issue costs                                                                                            | –                                             | –                                              | –                      | (72.7)        | –                             | –                                    | (66.5)     | (6.2)                   |
|                                                                                                              | 1,608.8                                       | (30.9)                                         | 1,577.9                | 3,917.9       | (68.9)                        | (108.7)                              | 3,728.9    | 161.4                   |

## Note 23 Reserves

|                                              | Note  | Consolidated |              | Parent Entity |             |
|----------------------------------------------|-------|--------------|--------------|---------------|-------------|
|                                              |       | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M |
| Asset Revaluation Reserve                    | 23(a) | 252.6        | 135.3        | –             | –           |
| Cash Flow Hedge Reserve                      | 23(b) | 60.6         | 5.7          | –             | 0.7         |
| Foreign Currency Translation Reserve         | 23(c) | (1.8)        | (3.8)        | –             | –           |
| Capital Profits Reserve                      | 23(d) | 52.0         | 11.4         | –             | –           |
| RePS Repurchase Reserve                      | 23(e) | –            | –            | –             | –           |
| Employee Compensation Reserve                | 23(f) | 19.6         | 17.2         | 44.9          | 17.2        |
| Defined Benefit Plan Actuarial Gains Reserve | 23(g) | (1.2)        | 2.7          | –             | –           |
| <b>Total reserves</b>                        |       | <b>381.8</b> | <b>168.5</b> | <b>44.9</b>   | <b>17.9</b> |

The reserves of the Consolidated Entity are apportioned below between the amounts Securityholders are entitled by virtue of their shareholding in the Company and their unitholding in GIT.

|                                                                       | Shareholders |             | Unitholders  |             | Securityholders |              |
|-----------------------------------------------------------------------|--------------|-------------|--------------|-------------|-----------------|--------------|
|                                                                       | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M     | 2006<br>\$M  |
| <b>(a) Asset Revaluation Reserve</b>                                  |              |             |              |             |                 |              |
| Balance at the beginning of the year                                  | 39.7         | 26.2        | 95.6         | 24.1        | 135.3           | 50.3         |
| Increase/(decrease) due to revaluation of listed/unlisted investments | 87.2         | 17.3        | (7.2)        | –           | 80.0            | 17.3         |
| Deferred tax expense                                                  | (26.0)       | (2.2)       | –            | –           | (26.0)          | (2.2)        |
| Transfers to capital profits reserve                                  | –            | (3.0)       | (33.8)       | (27.5)      | (33.8)          | (30.5)       |
| Transfers from retained earnings                                      | 1.0          | 1.4         | 102.1        | 99.0        | 103.1           | 100.4        |
| Impact of movements in foreign exchange rates                         | (6.3)        | –           | 0.3          | –           | (6.0)           | –            |
| <b>Balance at the end of the year</b>                                 | <b>95.6</b>  | <b>39.7</b> | <b>157.0</b> | <b>95.6</b> | <b>252.6</b>    | <b>135.3</b> |

Refer to notes 1(e) and 1(j) for the accounting policies relating to this reserve.

|                                                 |              |              |             |               |             |               |
|-------------------------------------------------|--------------|--------------|-------------|---------------|-------------|---------------|
| <b>(b) Cash Flow Hedge Reserve</b>              |              |              |             |               |             |               |
| Balance at the beginning of the year            | (1.7)        | –            | 7.4         | –             | 5.7         | –             |
| Impact of change in accounting policy           | –            | 8.7          | –           | (22.7)        | –           | (14.0)        |
|                                                 | <b>(1.7)</b> | <b>8.7</b>   | <b>7.4</b>  | <b>(22.7)</b> | <b>5.7</b>  | <b>(14.0)</b> |
| Change in value of financial instruments        | 1.5          | (10.4)       | 43.5        | 40.4          | 45.0        | 30.0          |
| Transfers from/(to) Income Statement            | –            | –            | 1.0         | (10.3)        | 1.0         | (10.3)        |
| Transfers from retained earnings <sup>(1)</sup> | –            | –            | 10.2        | –             | 10.2        | –             |
| Impact of movements in foreign exchange rates   | 0.2          | –            | (1.5)       | –             | (1.3)       | –             |
| <b>Balance at the end of the year</b>           | <b>–</b>     | <b>(1.7)</b> | <b>60.6</b> | <b>7.4</b>    | <b>60.6</b> | <b>5.7</b>    |

(1) Fair value movements in prior periods of certain cash flow hedges previously treated as ineffective have been transferred to the cash flow hedge reserve. Changes in the value of these instruments are now eligible for recognition in equity.

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

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 23 Reserves (continued)

|                                                              | Shareholders |              | Unitholders |              | Securityholders |              |
|--------------------------------------------------------------|--------------|--------------|-------------|--------------|-----------------|--------------|
|                                                              | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M | 2006<br>\$M  | 2007<br>\$M     | 2006<br>\$M  |
| <b>(c) Foreign Currency Translation Reserve</b>              |              |              |             |              |                 |              |
| Balance at the beginning of the year                         | (2.2)        | –            | (1.6)       | 0.6          | (3.8)           | 0.6          |
| Net exchange differences on conversion of foreign operations | –            | (2.2)        | 2.0         | (1.6)        | 2.0             | (3.8)        |
| Transfers to capital profits reserve                         | –            | –            | –           | (0.6)        | –               | (0.6)        |
| <b>Balance at the end of the year</b>                        | <b>(2.2)</b> | <b>(2.2)</b> | <b>0.4</b>  | <b>(1.6)</b> | <b>(1.8)</b>    | <b>(3.8)</b> |

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

|                                                     |             |            |             |            |             |             |
|-----------------------------------------------------|-------------|------------|-------------|------------|-------------|-------------|
| <b>(d) Capital Profits Reserve</b>                  |             |            |             |            |             |             |
| Balance at the beginning of the year                | 3.0         | –          | 8.4         | 5.1        | 11.4        | 5.1         |
| Transfers from asset revaluation reserve            | –           | 3.0        | 33.8        | 27.5       | 33.8        | 30.5        |
| Transfers from foreign currency translation reserve | –           | –          | –           | 0.6        | –           | 0.6         |
| Transfers from/(to) retained earnings               | 12.3        | –          | (5.3)       | (24.8)     | 7.0         | (24.8)      |
| Impact of movements in foreign exchange rates       | (0.2)       | –          | –           | –          | (0.2)       | –           |
| <b>Balance at the end of the year</b>               | <b>15.1</b> | <b>3.0</b> | <b>36.9</b> | <b>8.4</b> | <b>52.0</b> | <b>11.4</b> |

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

|                                                                |          |          |          |          |          |          |
|----------------------------------------------------------------|----------|----------|----------|----------|----------|----------|
| <b>(e) RePS Repurchase Reserve</b>                             |          |          |          |          |          |          |
| Balance at the beginning of the year                           | –        | –        | –        | (20.8)   | –        | (20.8)   |
| Transfer to issued capital on conversion of RePS to securities | –        | –        | –        | 20.8     | –        | 20.8     |
| <b>Balance at the end of the year</b>                          | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> |

The RePS repurchase reserve arose on acquisition of RePS by the Consolidated Entity. The balance reversed on conversion of the RePS instruments to securities.

|                                                              |             |             |          |          |             |             |
|--------------------------------------------------------------|-------------|-------------|----------|----------|-------------|-------------|
| <b>(f) Employee Compensation Reserve</b>                     |             |             |          |          |             |             |
| Balance at the beginning of the year                         | 17.2        | 11.5        | –        | –        | 17.2        | 11.5        |
| Expense recognised in the Income Statement during the year   | 16.2        | 7.5         | –        | –        | 16.2        | 7.5         |
| Transfers to issued capital on vesting of options/securities | (1.7)       | (1.8)       | –        | –        | (1.7)       | (1.8)       |
| Difference between the ESAP interest and distribution        | 0.7         | –           | –        | –        | 0.7         | –           |
| Transfers to retained earnings                               | (12.4)      | –           | –        | –        | (12.4)      | –           |
| Impact of movements in foreign exchange rates                | (0.4)       | –           | –        | –        | (0.4)       | –           |
| <b>Balance at the end of the year</b>                        | <b>19.6</b> | <b>17.2</b> | <b>–</b> | <b>–</b> | <b>19.6</b> | <b>17.2</b> |

## Note 23 Reserves (continued)

|                                                         | Shareholders |             | Unitholders |             | Securityholders |             |
|---------------------------------------------------------|--------------|-------------|-------------|-------------|-----------------|-------------|
|                                                         | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M | 2006<br>\$M | 2007<br>\$M     | 2006<br>\$M |
| <b>(g) Defined Benefit Fund Actuarial Gains Reserve</b> |              |             |             |             |                 |             |
| Balance at the beginning of the year                    | 2.7          | –           | –           | –           | 2.7             | –           |
| Actuarial (losses)/gains                                | (4.0)        | 4.0         | –           | –           | (4.0)           | 4.0         |
| Deferred tax expense                                    | –            | (1.3)       | –           | –           | –               | (1.3)       |
| Impact of movements in foreign exchange rates           | 0.1          | –           | –           | –           | 0.1             | –           |
| <b>Balance at the end of the year</b>                   | <b>(1.2)</b> | <b>2.7</b>  | <b>–</b>    | <b>–</b>    | <b>(1.2)</b>    | <b>2.7</b>  |

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

|                                    |              |             |              |              |              |              |
|------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|
| <b>Total consolidated reserves</b> | <b>126.9</b> | <b>58.7</b> | <b>254.9</b> | <b>109.8</b> | <b>381.8</b> | <b>168.5</b> |
|------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|

## Note 24 (Accumulated losses)/retained earnings

The (accumulated losses)/retained earnings of the Consolidated Entity are apportioned below between the amounts Securityholders are entitled to by virtue of their shareholding in the Company and their unitholding in GIT.

|                                                                      | Shareholders  |                | Unitholders |             | Securityholders |               |
|----------------------------------------------------------------------|---------------|----------------|-------------|-------------|-----------------|---------------|
|                                                                      | 2007<br>\$M   | 2006<br>\$M    | 2007<br>\$M | 2006<br>\$M | 2007<br>\$M     | 2006<br>\$M   |
| (Accumulated losses)/retained earnings at the beginning of the year  | (63.3)        | (109.0)        | 63.3        | 89.2        | –               | (19.8)        |
| Impact of change in accounting policy <sup>(1)</sup>                 | –             | –              | –           | (0.9)       | –               | (0.9)         |
|                                                                      | <b>(63.3)</b> | <b>(109.0)</b> | <b>63.3</b> | <b>88.3</b> | <b>–</b>        | <b>(20.7)</b> |
| (Loss)/profit for the period                                         | (3.6)         | 47.1           | 626.1       | 453.0       | 622.5           | 500.1         |
| Transfers to asset revaluation reserve                               | (1.0)         | (1.4)          | (102.1)     | (99.0)      | (103.1)         | (100.4)       |
| Transfers to cash flow hedge reserve                                 | –             | –              | (10.2)      | –           | (10.2)          | –             |
| Transfers (to)/from capital profits reserve                          | (12.3)        | –              | 5.3         | 24.8        | (7.0)           | 24.8          |
| Transfers from employee compensation reserve                         | 12.4          | –              | –           | –           | 12.4            | –             |
| Distributions declared <sup>(2)</sup>                                | 10.4          | –              | (524.4)     | (403.8)     | (514.0)         | (403.8)       |
| <b>(Accumulated losses)/retained earnings at the end of the year</b> | <b>(57.4)</b> | <b>(63.3)</b>  | <b>58.0</b> | <b>63.3</b> | <b>0.6</b>      | <b>–</b>      |

(1) The Consolidated Entity elected to apply AASB139 Financial instruments: Recognition and measurement from 1 July 2005 onwards.

(2) Distributions declared by GIT relating to ESAP securities are deducted from Unitholders' share of retained earnings and added to Shareholders' share of retained earnings.

## Note 25 Other minority interests

Other minority interests in controlled entities comprise:

|                                                           | Consolidated |             |
|-----------------------------------------------------------|--------------|-------------|
|                                                           | 2007<br>\$M  | 2006<br>\$M |
| Other shareholders in Ascendas Global Gateway Pte Limited | 2.8          | 2.4         |
| Other shareholders in Highbrook Development Limited       | 20.9         | 18.8        |
|                                                           | <b>23.7</b>  | <b>21.2</b> |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 26 Commitments

|                                                                                              | Consolidated |              | Parent Entity |             |
|----------------------------------------------------------------------------------------------|--------------|--------------|---------------|-------------|
|                                                                                              | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M |
| <b>Capital Expenditure Commitments</b>                                                       |              |              |               |             |
| Contracted but not provided for and payable:                                                 |              |              |               |             |
| Within one year                                                                              | 252.4        | 242.6        | –             | –           |
| One year or later and no later than five years                                               | 29.2         | –            | –             | –           |
|                                                                                              | <b>281.6</b> | <b>242.6</b> | <b>–</b>      | <b>–</b>    |
| <b>Non-cancellable Operating Lease Commitments</b>                                           |              |              |               |             |
| Future operating lease commitments not provided for in the financial statements and payable: |              |              |               |             |
| Within one year                                                                              | 5.7          | 6.0          | –             | –           |
| One year or later and no later than five years                                               | 20.6         | 20.7         | –             | –           |
| Later than five years                                                                        | 1.1          | 9.6          | –             | –           |
|                                                                                              | <b>27.4</b>  | <b>36.3</b>  | <b>–</b>      | <b>–</b>    |

### Commitment to Invest in Managed Funds

At 30 June 2007, the Consolidated Entity was committed to invest A\$7.9 million into MGLF-HK (2006: \$32.5 million).

The Consolidated Entity has also underwritten up to \$117.9 million of equity to be raised by ABPP. As disclosed in note 35, an additional investment of \$245.2 million was made in July and August 2007.

### Acquisition of Investment Properties

Amounts contracted for the acquisition of investment properties not provided for at 30 June 2007 are \$129.0 million (2006: \$7.0 million).

### Guaranteed Land Payments – M7 Business Hub Development

A commitment exists at 30 June 2007 in respect of a Heads of Agreement signed between the Parent Entity, GIT, Vineyard, Brickworks Limited and Austral. Austral has a put option which gives it the right to require Vineyard to take a transfer of unsold saleable lots of land. The amount payable over the duration of the development will be the greater of:

- the guaranteed land payments of unsold saleable lots; or
- the revised retail price of the unsold saleable lots less a 2.5% discount if the revised retail price is less than \$10 million or a 5% discount if it is greater than \$10 million.

GIT has provided Austral with a guarantee for all amounts payable to Austral by Vineyard under the Heads of Agreement.

### Non-cancellable Operating Lease Receivables from Investment Property Customers

|                                                               | Consolidated   |                | Parent Entity |             |
|---------------------------------------------------------------|----------------|----------------|---------------|-------------|
|                                                               | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M   | 2006<br>\$M |
| <b>Non-cancellable Operating Lease Commitments Receivable</b> |                |                |               |             |
| Within one year                                               | 199.1          | 258.9          | –             | –           |
| One year or later and no later than five years                | 591.6          | 678.1          | –             | –           |
| Later than five years                                         | 328.3          | 111.7          | –             | –           |
|                                                               | <b>1,119.0</b> | <b>1,048.7</b> | <b>–</b>      | <b>–</b>    |

## Note 27 Cash Flow Statements

### (a) Reconciliation of cash

For the purpose of the Cash Flow Statements, cash includes cash on hand at the bank and short-term deposits at all. Cash as at the end of the year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheets as follows:

|                                                                                                                    | Consolidated |              | Parent Entity |               |
|--------------------------------------------------------------------------------------------------------------------|--------------|--------------|---------------|---------------|
|                                                                                                                    | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M   |
| Cash                                                                                                               | 81.8         | 23.3         | 0.1           | 0.9           |
| <b>(b) Reconciliation of profit/(loss) after income tax to net cash provided by/(used in) operating activities</b> |              |              |               |               |
| Profit/(loss) after income tax                                                                                     | 622.7        | 500.3        | (30.9)        | (10.3)        |
| <b>Items Classified as Investing/Financing Activities</b>                                                          |              |              |               |               |
| Net gain on disposal of investment properties                                                                      | (54.3)       | (39.3)       | —             | —             |
| Net gain on disposal of equity investments                                                                         | (124.6)      | (4.7)        | —             | —             |
| Interest paid capitalised                                                                                          | (53.0)       | (47.0)       | —             | —             |
| <b>Non-cash Items</b>                                                                                              |              |              |               |               |
| Depreciation and amortisation                                                                                      | 3.9          | 1.2          | —             | —             |
| Share options expense                                                                                              | 16.2         | 7.5          | —             | —             |
| Net gain from fair value adjustments on investment properties                                                      | (64.0)       | (113.5)      | —             | —             |
| Share of net results of associates and joint ventures                                                              | (121.2)      | (46.7)       | —             | —             |
| Unrealised foreign exchange gain                                                                                   | —            | (2.6)        | 2.4           | —             |
| Fair value gains on ineffective portion of derivatives                                                             | (9.2)        | (10.3)       | (0.5)         | —             |
| Non-cash adjustments included in net financing costs                                                               | —            | (1.0)        | —             | —             |
| Decrease in income taxes payable                                                                                   | 18.8         | 0.5          | —             | —             |
| Increase in income taxes receivable                                                                                | —            | (3.0)        | (4.0)         | (4.0)         |
| <b>Net cash provided by operating activities before change in assets and liabilities</b>                           | <b>235.3</b> | <b>241.4</b> | <b>(33.0)</b> | <b>(14.3)</b> |
| Change in assets and liabilities during the year:                                                                  |              |              |               |               |
| - (Increase)/decrease in receivables                                                                               | (4.3)        | (64.9)       | 542.7         | 5.2           |
| - Decrease/(increase) in inventories                                                                               | 10.9         | (27.3)       | —             | —             |
| - Decrease/(increase) in tax assets                                                                                | 6.0          | (5.7)        | —             | —             |
| - (Increase)/decrease in other assets                                                                              | (14.4)       | 76.2         | —             | —             |
| - Decrease/(increase) in payables                                                                                  | 91.2         | 39.0         | (493.6)       | —             |
| - Increase in deferred taxes payable                                                                               | 1.2          | 3.0          | 0.3           | 1.3           |
| - Increase in provisions                                                                                           | 8.1          | 11.9         | —             | —             |
| <b>Net cash provided by/(used in) operating activities</b>                                                         | <b>334.0</b> | <b>273.6</b> | <b>16.4</b>   | <b>(7.8)</b>  |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 27 Cash Flow Statements (continued)

### (c) Non-cash financing and investing activities

During the year, the following non-cash transactions were undertaken:

#### (i) Settlement of Distribution Liabilities

During the year, 40,004,845 securities were allocated under the DRP for total consideration of \$263.0 million (2006: 75,721,722 securities for \$339.3 million)

#### (ii) Issue of Securities under the ESAP

During the year, 16,435,500 securities were issued to employees under the ESAP (2006: 7,021,025). Securities issued under the ESAP are accounted for as options. The securities are held in trust as security for the loans.

#### (iii) Conversion of RePS

During the year, 11,606,556 securities were issued as a result of RePS Holders' conversion elections (2006: 23,516,555). The value of the securities issued was \$33.8 million (2006: \$74.1 million). No cash was received as a result of these transactions.

#### (iv) Issue of Securities on Acquisition of Eurinpro

During the comparative year, 33,483,220 securities were issued pursuant to the acquisition of Eurinpro (refer to note 3 for details).

## Note 28 Controlled entities

| Particulars in relation to controlled entities | Parent Entity |             |
|------------------------------------------------|---------------|-------------|
|                                                | 2007<br>\$M   | 2006<br>\$M |
| Investments in controlled entities, at cost    | 476.6         | 363.3       |

Note: As set out in note 35, on 2 July 2007, Macquarie Goodman Management Limited changed its name to Goodman International Limited. Where the names of controlled entities have also been changed subsequent to 30 June 2007, these are disclosed below.

| Significant Controlled Companies                                                                                             | Country of incorporation | Interest held |           |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------|-----------|
|                                                                                                                              |                          | 2007<br>%     | 2006<br>% |
| Goodman Funds Management Limited<br>(formerly Macquarie Goodman Funds Management Limited)                                    | Australia                | 100           | 100       |
| Goodman Industrial Finance (Aust) Pty Limited<br>(formerly Macquarie Goodman Industrial Finance Pty Limited)                 | Australia                | 100           | 100       |
| Goodman Singapore Industrial Management (Aust) Pty Limited<br>(formerly Macquarie Goodman Industrial Management Pty Limited) | Australia                | 100           | 100       |
| Goodman Property Services (Aust) Pty Limited<br>(formerly Macquarie Goodman Property Services Pty Limited)                   | Australia                | 100           | 100       |
| Goodman Vineyard Pty Limited<br>(formerly Macquarie Goodman Vineyard Pty Limited)                                            | Australia                | 100           | 100       |
| Goodman Funds Management Australia Limited<br>(formerly Macquarie Goodman Wholesale Limited)                                 | Australia                | 100           | 100       |
| MGM Singapore Holdings Pty Limited                                                                                           | Australia                | 100           | –         |
| Goodman (NZ) Limited (formerly Macquarie Goodman (NZ) Limited)                                                               | New Zealand              | 100           | 100       |
| Goodman (Highbrook) Limited (formerly Macquarie Goodman Highbrook Limited)                                                   | New Zealand              | 100           | 100       |
| Goodman Property Services (NZ) Limited<br>(formerly Macquarie Goodman Property Services (NZ) Limited)                        | New Zealand              | 100           | 100       |
| Highbrook Development Limited                                                                                                | New Zealand              | 75            | 75        |

## Note 28 Controlled entities (continued)

| Significant Controlled Companies (continued)                                                     | Country of incorporation   | Interest held |           |
|--------------------------------------------------------------------------------------------------|----------------------------|---------------|-----------|
|                                                                                                  |                            | 2007<br>%     | 2006<br>% |
| MGM Singapore Pte Limited                                                                        | Singapore                  | 100           | 100       |
| Ascendas Global Gateway Pte Limited                                                              | Singapore                  | 60            | 60        |
| MGM Singapore Holdings Pte Limited                                                               | Singapore                  | 100           | –         |
| MG Finance Singapore Pte Limited                                                                 | Singapore                  | 100           | –         |
| MGI HK Finance                                                                                   | Cayman Islands             | 100           | 100       |
| MGD Asia                                                                                         | Cayman Islands             | 100           | 100       |
| MG China Investments                                                                             | Cayman Islands             | 100           | –         |
| Macquarie Goodman China Limited (formerly Macquarie Goodman Container Investments No. 3 Limited) | Hong Kong                  | 100           | 100       |
| Goodman Management Consulting (Shanghai) Co. Ltd.                                                | People's Republic of China | 100           | –         |
| Macquarie Goodman (Shanghai) Warehouse Co. Ltd.                                                  | People's Republic of China | 100           | –         |
| Jia Meng (Shanghai) Warehouse Co. Ltd.                                                           | People's Republic of China | 100           | –         |
| MG Property Holdings (Jersey) Limited                                                            | Jersey                     | 100           | –         |
| Goodman Northampton (Jersey) Limited (formerly MG Northampton (Jersey) Limited)                  | Jersey                     | 100           | –         |
| GUKBPF Investment (Jersey) Limited (formerly ABPP Investment (Jersey) Limited)                   | Jersey                     | 100           | –         |
| Goodman Holdings (Jersey) Limited (formerly Arlington Holdings (Jersey) Limited)                 | Jersey                     | 100           | –         |
| Goodman Leicester (Jersey) Limited (formerly MG Leicester (Jersey) Limited)                      | Jersey                     | 100           | –         |
| Goodman Gloucester (Jersey) Limited (formerly MG (Gloucester) Limited)                           | Jersey                     | 100           | –         |
| Goodman Maltby (Jersey) Limited (formerly MG (Maltby) Limited)                                   | Jersey                     | 100           | –         |
| Goodman South Normanton (Jersey) Limited (formerly MG (South Normanton) Limited)                 | Jersey                     | 100           | –         |
| Goodman Daventry (Jersey) Limited                                                                | Jersey                     | 100           | –         |
| Goodman Brackmills (Jersey) Limited (formerly MG (Brackmills) Limited)                           | Jersey                     | 100           | –         |
| Goodman West Thurrock (Jersey) Limited (formerly MG (West Thurrock) Limited)                     | Jersey                     | 100           | –         |
| Goodman Burton (Jersey) Limited (formerly MG Burton (Jersey) Limited)                            | Jersey                     | 100           | –         |
| Goodman Citadel (Jersey) Limited (formerly MG Citadel (Jersey) Limited)                          | Jersey                     | 100           | –         |
| Goodman Corby (Jersey) Limited (formerly MG Corby (Jersey) Limited)                              | Jersey                     | 100           | –         |
| Goodman Coventry (Jersey) Limited (formerly MG Coventry (Jersey) Limited)                        | Jersey                     | 100           | –         |
| Goodman Desborough (Jersey) Limited (formerly MG Desborough (Jersey) Limited)                    | Jersey                     | 100           | –         |
| Goodman Ellesmere Port (Jersey) Limited (formerly MG Ellesmere Port Limited)                     | Jersey                     | 100           | –         |
| Goodman Finance (Jersey) Limited (formerly MG Finance (Jersey) Limited)                          | Jersey                     | 100           | –         |
| Goodman Logistics (Jersey) Limited (formerly MG Logistics (Jersey) Limited)                      | Jersey                     | 100           | –         |
| Goodman Oceanview Logistics (Jersey) Limited (formerly MG Oceanview Logistics (Jersey) Limited)  | Jersey                     | 100           | –         |
| Goodman Residential (Jersey) Limited (formerly MG Regent Residential (Jersey) Limited)           | Jersey                     | 100           | –         |
| Goodman Management (Jersey) Limited (formerly MGM Jersey Limited)                                | Jersey                     | 100           | –         |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 28 Controlled entities (continued)

| Significant Controlled Companies (continued)                                                                      | Country of incorporation | Interest held |           |
|-------------------------------------------------------------------------------------------------------------------|--------------------------|---------------|-----------|
|                                                                                                                   |                          | 2007<br>%     | 2006<br>% |
| Goodman Thurrock (Jersey) Limited (formerly Rosemound (Jersey) Limited)                                           | Jersey                   | 100           | –         |
| Goodman Europe (Lux) SA (formerly Eurinpro International SA)                                                      | Luxembourg               | 100           | 100       |
| GELF Management (Lux) Sàrl (formerly AELF Management Sàrl)                                                        | Luxembourg               | 100           | –         |
| Goodman APP 4,5, & CdV (Lux) Sàrl (formerly Akeler APP 4,5, & CdV Sàrl)                                           | Luxembourg               | 100           | –         |
| Goodman Finance (Lux) Sàrl (formerly MG Finance Luxembourg Sàrl)                                                  | Luxembourg               | 100           | –         |
| Goodman Property Opportunities (Lux) Sàrl, SICAR (formerly MG Property Opportunities Sàrl)                        | Luxembourg               | 100           | –         |
| Dollhurst Limited                                                                                                 | United Kingdom           | 100           | 100       |
| Dollmist Limited                                                                                                  | United Kingdom           | 100           | 100       |
| Dollplace Limited                                                                                                 | United Kingdom           | 100           | 100       |
| Goodman Business Services (UK) Limited (formerly Arlington Business Services Limited)                             | United Kingdom           | 100           | 100       |
| Goodman Development Management (UK) Limited (formerly Arlington Development Management Limited)                   | United Kingdom           | 100           | 100       |
| Goodman LP (UK) Limited (formerly Arlington LP Limited)                                                           | United Kingdom           | 100           | 100       |
| Goodman Net Services (UK) Limited (formerly Arlington Net Services Limited)                                       | United Kingdom           | 100           | 100       |
| Goodman Science Park LP (UK) Limited (formerly Arlington Science Park LP Limited)                                 | United Kingdom           | 100           | 100       |
| Goodman UK Limited (formerly Arlington Securities Limited)                                                        | United Kingdom           | 100           | 100       |
| Centrum West Limited                                                                                              | United Kingdom           | 100           | –         |
| Colworth Park (GP2) Limited                                                                                       | United Kingdom           | 100           | –         |
| Coventry Business Park Limited                                                                                    | United Kingdom           | 100           | –         |
| Coventry Business Park Management Limited                                                                         | United Kingdom           | 100           | –         |
| Desborough Developments Limited                                                                                   | United Kingdom           | 100           | –         |
| Goodman Fund Management (UK) Limited (formerly Arlington Fund Management Limited)                                 | United Kingdom           | 100           | –         |
| Goodman Operations (UK) Limited (formerly Arlington Investment Services Limited)                                  | United Kingdom           | 100           | –         |
| Goodman Real Estate Advisor (UK) Limited (formerly Arlington Property Advisor Limited)                            | United Kingdom           | 100           | –         |
| Goodman Real Estate Developments (2003) (formerly Arlington Property Developments (2003))                         | United Kingdom           | 100           | –         |
| Goodman Real Estate Investors UK Operations Limited (formerly Arlington Property Investors UK Operations Limited) | United Kingdom           | 100           | –         |
| Goodman BidCo 1 (UK) Limited (formerly MGM BidCo 1 Limited)                                                       | United Kingdom           | 100           | –         |
| Goodman BidCo 3 (UK) Limited (formerly MGM BidCo 3 Limited)                                                       | United Kingdom           | 100           | –         |
| Goodman Logistics Developments (UK) Limited (formerly Rosehill Property Developments Limited)                     | United Kingdom           | 100           | –         |
| Goodman Top Co (UK) Limited (formerly Rosehill Top Co Limited)                                                    | United Kingdom           | 100           | –         |
| Goodman Hinckley (UK) Limited (formerly Rosemound (Hinckley) Limited)                                             | United Kingdom           | 100           | –         |
| Goodman Real Estate (UK) Limited (formerly Rosemound Developments Limited)                                        | United Kingdom           | 100           | –         |

## Note 28 Controlled entities (continued)

| Significant Controlled Unit Trusts                                            | Country of establishment | Interest held |           |
|-------------------------------------------------------------------------------|--------------------------|---------------|-----------|
|                                                                               |                          | 2007<br>%     | 2006<br>% |
| Goodman Match Trust (formerly Ascendas (Australia) Trust)                     | Australia                | 100           | 100       |
| Binary No. 2 Trust                                                            | Australia                | 100           | 100       |
| Carter Street Trust                                                           | Australia                | 100           | 100       |
| CDC Trust                                                                     | Australia                | 100           | 100       |
| Clayton 3 Trust                                                               | Australia                | 100           | 100       |
| Euston Road Subtrust                                                          | Australia                | 100           | 100       |
| Highbrook Trust                                                               | Australia                | 100           | 100       |
| Hill Road Trust                                                               | Australia                | 100           | 100       |
| Homebush Subtrust                                                             | Australia                | 100           | 100       |
| IBC Trust                                                                     | Australia                | 100           | 100       |
| Goodman Industrial Trust (formerly Macquarie Goodman Industrial Trust )       | Australia                | 100           | 100       |
| MIP Trust (formerly Macquarie Industrial Trust)                               | Australia                | 100           | 100       |
| Mascot Trust                                                                  | Australia                | 100           | 100       |
| Goodman Arlington Warehousing Trust (formerly MG Arlington Warehousing Trust) | Australia                | 100           | 100       |
| Goodman Europe Development Trust (formerly MG Europe Development Trust)       | Australia                | 100           | 100       |
| Goodman Hong Kong Investment Trust (formerly MG Hong Kong Investment Trust)   | Australia                | 100           | 100       |
| MGA Industrial Portfolio Trust                                                | Australia                | 100           | 100       |
| Goodman NZ Holding Trust (formerly MGM Holding Trust)                         | Australia                | 100           | 100       |
| Orion Road Trust                                                              | Australia                | 100           | 100       |
| Penrose Trust                                                                 | Australia                | 100           | 100       |
| Perth Leasing Trust                                                           | Australia                | 100           | 100       |
| Port Melbourne 3 Trust                                                        | Australia                | 100           | 100       |
| Regal Business Park Trust                                                     | Australia                | 100           | 100       |
| St Leonards Trust                                                             | Australia                | 100           | 100       |
| Thomas Trust                                                                  | Australia                | 100           | 100       |
| West Melbourne Trust                                                          | Australia                | 100           | 100       |
| Saunders Street Trust                                                         | Australia                | 100           | 100       |
| Waterloo Road Office Trust                                                    | Australia                | 100           | 100       |
| Goodman Capital Trust (formerly Macquarie Goodman Capital Trust)              | Australia                | 100           | 100       |
| Cambridge Office Park Trust                                                   | Australia                | 100           | 100       |
| BDE Unit Trust                                                                | Australia                | 100           | 100       |
| Biloela Street Unit Trust                                                     | Australia                | 100           | 100       |
| Goodman Huntingwood Trust (formerly MG Huntingwood Trust)                     | Australia                | 100           | –         |
| Goodman Jersey Holdings Trust (formerly MG Jersey Holdings Trust)             | Australia                | 100           | –         |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 28 Controlled entities (continued)

| Significant Controlled Unit Trusts (continued)                             | Country of establishment | Interest held |           |
|----------------------------------------------------------------------------|--------------------------|---------------|-----------|
|                                                                            |                          | 2007<br>%     | 2006<br>% |
| Goodman Palmers Trust (formerly MG Palmers Trust )                         | Australia                | 100           | –         |
| Goodman Perth Airport No. 1 Trust (formerly MG Perth Airport No. 1 Trust ) | Australia                | 100           | –         |
| Goodman Perth Airport No. 2 Trust (formerly MG Perth Airport No. 2 Trust)  | Australia                | 100           | –         |
| Goodman Treasury Trust (formerly MG Treasury Trust)                        | Australia                | 100           | –         |
| ABPP Investment Trust                                                      | Australia                | 100           | –         |
| CC Trust                                                                   | Australia                | 100           | –         |
| Edinburgh Trust                                                            | Australia                | 100           | –         |
| Goodman Finance Australia Trust (formerly MG Finance Australia Trust)      | Australia                | 100           | –         |
| VZJ Trust                                                                  | Australia                | 100           | –         |

## Note 29 Interest in joint venture operations

The Consolidated Entity participates equally in a joint venture operation with The Austral Brick Company Pty Ltd (“Austral”) relating to development of the Brickworks site in Sydney.

Under the terms of the Joint Venture Agreement, the Consolidated Entity pays for infrastructure works. In addition, Austral holds a put option whereby it has the right to require the Consolidated Entity to purchase unsold lots of land. The Consolidated Entity also has the right to acquire unsold lots of land after specified dates subject to the conditions as outlined in note 26.

Included in the revenue and expenses, assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the revenue and expenses recorded by the joint venture operation, and the assets and liabilities employed in the joint venture operation. These amounts are recorded in accordance with the accounting policies described in note 1.

|                                         | Consolidated |             | Parent Entity |             |
|-----------------------------------------|--------------|-------------|---------------|-------------|
|                                         | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| <b>Assets</b>                           |              |             |               |             |
| Trade debtors                           |              |             |               |             |
| Inventories                             | 28.7         | 19.0        | –             | –           |
| Other assets                            | 30.5         | 29.5        | –             | –           |
| <b>Liabilities</b>                      |              |             |               |             |
| Trade creditors                         | (29.2)       | (29.9)      | –             | –           |
| <b>Net assets</b>                       | <b>30.0</b>  | <b>18.6</b> | <b>–</b>      | <b>–</b>    |
| <b>Contribution to profit after tax</b> |              |             |               |             |
| Sale of inventories                     | 31.7         | 44.9        | –             | –           |
| Cost of sales                           | (25.6)       | (24.0)      | –             | –           |
| Capitalised interest                    | 2.3          | 0.3         | –             | –           |
| Tax income/(expense)                    | 3.0          | (2.6)       | –             | –           |
| <b>Profit after tax</b>                 | <b>11.4</b>  | <b>18.6</b> | <b>–</b>      | <b>–</b>    |

## Note 30 Related parties

The names of key management personnel of the Consolidated Entity at any time during the year are as follows:

| Non-Executive Directors                                                                  | Executive Director | Executives            |
|------------------------------------------------------------------------------------------|--------------------|-----------------------|
| Mr David S. Clarke, AO                                                                   | Mr Gregory Goodman | Mr David van Aanholt  |
| Dr David Teplitzky                                                                       |                    | Mr Nick Kurtis        |
| Mr Ian Ferrier, AM                                                                       |                    | Mr Michael O'Sullivan |
| Mr Patrick Goodman                                                                       |                    | Mr Anthony Rozic      |
| Mr John Harkness                                                                         |                    | Mr Jeff Pulsford      |
| Mr James Hodgkinson                                                                      |                    |                       |
| Ms Anne Keating                                                                          |                    |                       |
| Mr James Sloman, OAM                                                                     |                    |                       |
| Mr Stephen Girdis<br>(Alternate Director for Mr David Clarke<br>and Mr James Hodgkinson) |                    |                       |

### Key management personnel compensation

The key management personnel compensation totals are as follows:

|                              | Consolidated |             | Parent Entity |             |
|------------------------------|--------------|-------------|---------------|-------------|
|                              | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Short-term employee benefits | 11.2         | 5.8         | —             | —           |
| Post-employment benefits     | 0.3          | 0.2         | —             | —           |
| Equity compensation benefits | 3.2          | 2.4         | —             | —           |
| Long-term employee benefits  | 2.8          | 1.4         | —             | —           |
|                              | 17.5         | 9.8         | —             | —           |

Amounts relating to the comparative year have been adjusted to reflect the amount of bonus payable after 12 months of the year end date within long-term employee benefits. In addition, comparative amounts have been adjusted to reflect changes in annual leave balances during the year. This resulted in a reduction of key management personnel compensation in the comparative year of \$0.1 million.

### Individual Directors and Executives' compensation disclosures

Information regarding individual Directors and Executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 38 to 48.

### Loans to key management personnel and their related parties

Loans provided in respect of employee security plan arrangements where the loans are full recourse in nature or where securities have vested or were issued prior to 7 November 2002 are recorded as loans on the Balance Sheet of the Consolidated Entity. Details of these amounts are as follows:

|                           | Balance at the start<br>of the year |            | Balance at the end<br>of the year |            | Interest paid and<br>payable in the year |            | Highest balance<br>in the year |            |
|---------------------------|-------------------------------------|------------|-----------------------------------|------------|------------------------------------------|------------|--------------------------------|------------|
|                           | 2007<br>\$                          | 2006<br>\$ | 2007<br>\$                        | 2006<br>\$ | 2007<br>\$                               | 2006<br>\$ | 2007<br>\$                     | 2006<br>\$ |
| <b>Executive Director</b> |                                     |            |                                   |            |                                          |            |                                |            |
| Mr Gregory Goodman        | 3,238,215                           | 5,325,172  | 1,562,351                         | 3,238,215  | 138,230                                  | 324,388    | 3,310,531                      | 5,325,172  |
| <b>Executives</b>         |                                     |            |                                   |            |                                          |            |                                |            |
| Mr Nick Kurtis            | —                                   | 54,507     | —                                 | —          | —                                        | 1,122      | —                              | 54,507     |
| Mr Michael O'Sullivan     | 466,668                             | 1,094,423  | —                                 | 466,668    | 13,098                                   | 43,804     | 476,711                        | 1,094,423  |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 30 Related parties (continued)

### Loans to key management personnel and their related parties (continued)

Interest on loans to employees is charged at 7.1% (2006: 6.1%) per annum. The after-tax amount of any dividends or distributions paid on the securities acquired with the loans must be applied towards payment of interest, if any, and the principal of the loan.

Loans are for the periods of up to five years and are repayable earlier on termination of the employee or disposal of the securities. No amounts have been written down or recorded as allowances as the balances are considered fully collectible.

### Options and rights over equity instruments

The movement during the reporting period in the number of securities of Goodman held under the ESAP by each Company director and each of the five named Executive Officers under the ESAP is detailed below. No securities were forfeited during the year.

|                           | Held at 1 July |           | Granted as compensation |           | Exercised <sup>(2)</sup> |           | Held at 30 June |           | Vested but not exercised at 30 June |         |
|---------------------------|----------------|-----------|-------------------------|-----------|--------------------------|-----------|-----------------|-----------|-------------------------------------|---------|
|                           | 2006           | 2005      | 2007 <sup>(1)</sup>     | 2006      | 2007                     | 2006      | 2007            | 2006      | 2007                                | 2006    |
| <b>Executive Director</b> |                |           |                         |           |                          |           |                 |           |                                     |         |
| Mr Gregory Goodman        | 1,955,990      | –         | 2,000,000               | 1,955,990 | –                        | –         | 3,955,990       | 1,955,990 | –                                   | –       |
| <b>Executives</b>         |                |           |                         |           |                          |           |                 |           |                                     |         |
| Mr David Van Aanholt      | 2,977,995      | 1,000,000 | 900,000                 | 1,977,995 | (666,666)                | –         | 3,211,329       | 2,977,995 | –                                   | 333,333 |
| Mr Anthony Rozic          | 1,733,496      | –         | 1,000,000               | 1,733,496 | –                        | –         | 2,733,496       | 1,733,496 | –                                   | –       |
| Mr Nick Kurtis            | 2,733,496      | 1,500,000 | 950,000                 | 1,733,496 | (500,000)                | (500,000) | 3,183,496       | 2,733,496 | –                                   | –       |
| Mr Michael O'Sullivan     | 1,855,746      | –         | 850,000                 | 1,855,746 | –                        | –         | 2,705,746       | 1,855,746 | –                                   | –       |

(1) The ESAP securities set out above were granted to Mr Gregory Goodman on 22 November 2006. The securities vest equally on 31 December 2008, 2009 and 2010. The ESAP securities set out above were granted to other Executives on 10 April 2007. The securities vest equally on 1 January 2010, 2011 and 2012. The vesting conditions are set out on page 40 of the Directors' Report.

(2) ESAP securities were exercised during the year by Mr David Van Aanholt and Mr Nick Kurtis at \$2.59 per security (2006: \$2.59 per security). ESAP securities that vested during the year for each of the above personnel were as follows: Mr David Van Aanholt – 333,333, and Mr Nick Kurtis – 500,000.

The movement during the reporting period in the number of options over ordinary securities in Goodman held, directly or beneficially, by each key management person, including their related parties, is as follows:

|                  | Year | Held at 1 July | Granted as compensation | Exercised | Held at 30 June | Vested during the year | Vested and exercisable at 30 June 2007 |
|------------------|------|----------------|-------------------------|-----------|-----------------|------------------------|----------------------------------------|
| <b>Executive</b> |      |                |                         |           |                 |                        |                                        |
| Mr Jeff Pulsford | 2007 | 1,325,000      | 1,000,000               | –         | 2,325,000       | –                      | –                                      |
|                  | 2006 | –              | 1,325,000               | –         | 1,325,000       | –                      | –                                      |

## Note 30 Related parties (continued)

### Options and rights over equity instruments (continued)

The movement during the reporting period in the number of ordinary securities in Goodman held, directly or beneficially, by each key management person, including their related parties, is as follows:

|                                | Held at 1 July |             | Acquisitions <sup>(1)</sup> |            | Disposals |      | Held at 30 June |             |
|--------------------------------|----------------|-------------|-----------------------------|------------|-----------|------|-----------------|-------------|
|                                | 2006           | 2005        | 2007                        | 2006       | 2007      | 2006 | 2007            | 2006        |
| <b>Non-Executive Directors</b> |                |             |                             |            |           |      |                 |             |
| Mr David Clarke                | 206,901        | 206,901     | —                           | —          | —         | —    | 206,901         | 206,901     |
| Dr David Teplitzky             | 2,061          | —           | 3,575                       | 2,061      | —         | —    | 5,636           | 2,061       |
| Mr Ian Ferrier                 | 1,696          | —           | 3,069                       | 1,696      | —         | —    | 4,765           | 1,696       |
| Mr Patrick Goodman             | 127,198,228    | 108,381,164 | 21,527,611                  | 18,817,064 | —         | —    | 148,725,839     | 127,198,228 |
| Mr John Harkness               | 1,656          | —           | 3,770                       | 1,656      | —         | —    | 5,426           | 1,656       |
| Mr James Hodgkinson            | 158,817        | 158,817     | 150,000                     | —          | —         | —    | 308,817         | 158,817     |
| Ms Anne Keating                | 29,180         | —           | 16,000                      | 29,180     | —         | —    | 45,180          | 29,180      |
| Mr James Sloman                | 215            | —           | 2,570                       | 215        | —         | —    | 2,785           | 215         |
| Mr Stephen Girdis              | 1,105          | 1,105       | —                           | —          | —         | —    | 1,105           | 1,105       |

### Executive Director

|                    |             |             |            |            |   |   |             |             |
|--------------------|-------------|-------------|------------|------------|---|---|-------------|-------------|
| Mr Gregory Goodman | 127,198,228 | 108,381,164 | 21,527,611 | 18,817,064 | — | — | 148,725,839 | 127,198,228 |
|--------------------|-------------|-------------|------------|------------|---|---|-------------|-------------|

(1) Acquisitions include securities issued under the ESAP. Details of amounts issued to individuals are set out above.

|                       | Held at 1 July |           | Acquisitions <sup>(1)</sup> |           | Disposals |          | Held at 30 June |           |
|-----------------------|----------------|-----------|-----------------------------|-----------|-----------|----------|-----------------|-----------|
|                       | 2006           | 2005      | 2007                        | 2006      | 2007      | 2006     | 2007            | 2006      |
| <b>Executives</b>     |                |           |                             |           |           |          |                 |           |
| Mr David van Aanholt  | 6,643,834      | 3,688,800 | 1,034,315                   | 2,978,034 | (8,314)   | (23,000) | 7,669,835       | 6,643,834 |
| Mr Anthony Rozic      | 1,776,631      | —         | 1,042,400                   | 1,776,631 | —         | —        | 2,819,031       | 1,776,631 |
| Mr Nick Kurtis        | 3,971,105      | 2,139,570 | 992,400                     | 1,831,535 | (150,000) | —        | 4,813,505       | 3,971,105 |
| Mr Michael O'Sullivan | 3,343,070      | 1,389,285 | 935,000                     | 1,953,785 | —         | —        | 4,278,070       | 3,343,070 |
| Mr Jeff Pulsford      | —              | —         | —                           | —         | —         | —        | —               | —         |

(1) Acquisitions include securities issued under the ESAP. Details of amounts issued to individuals are set out above.

### Transactions with Director related entities

#### (i) Macquarie Bank Limited ("MBL")

Mr David Clarke and Mr James Hodgkinson are directors of MBL. During the year ended 30 June 2007, a total of \$5,434,808 (2006: \$27,639,275) was paid to MBL in relation to various services provided.

#### (ii) Goodman Holdings Group

Mr Gregory Goodman and Mr Patrick Goodman are directors and shareholders in Moorabbin Airport Corporation Pty Limited ("MAC"), the lessor of Chifley Business Park, Mentone, Victoria. The Consolidated Entity has agreed with MAC to pay all infrastructure costs incurred in developing Chifley Business Park. These costs, which totalled \$6,709,607 at 30 June 2007 (2006: \$6,709,607), are to be reimbursed by MAC progressively as the site is developed and leased and rental income is being derived by MAC.

Mr Gregory Goodman and Mr Patrick Goodman are directors of and shareholders in Goodman Holdings Group. During the year, the Company was also reimbursed by Goodman Holdings Group for a portion of office rental costs to the value of \$305,505 (2006: \$61,823).

During the year, the Consolidated Entity also reimbursed travel costs totalling \$242,965 (2006: \$92,585) to a wholly-owned subsidiary of Goodman Holdings Group.

#### (iii) Poole's Rock Wines Pty Limited

On 15 January 2003, Poole's Rock Wines Pty Limited (a director related entity of Mr David Clarke) entered into a six year lease at CityWest Office Park, Pyrmont, NSW with GIT. Rent and outgoings for the year amounted to \$95,743 (2006: \$90,376).

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 31 Other related party disclosures

The Consolidated Entity has a related party relationship with its controlled entities (refer note 28), associates and joint ventures (refer note 15) and with its Directors and Executive Officers (refer note 31).

### (a) Transactions with controlled entities

Transactions between the Company and its controlled entities during the years ended 30 June 2007 and 2006 included the following:

- (i) payment of dividends to the Company;
- (ii) loans advanced by/to the Company (including amounts arising under the tax funding arrangement);
- (iii) recharge of expenses by the Company to its controlled entities;
- (iv) interest charged by/to the Company; and
- (v) purchase of units from GIT pursuant to the operation of the ESAP.

All of the above transactions were made on normal commercial terms and conditions with the exception of certain loans which are interest free and have no specified time period for repayment.

Amounts receivable and payable from entities in the wholly-owned group at balance date are as follows:

|                                                             | Note | 2007<br>\$M | 2006<br>\$M |
|-------------------------------------------------------------|------|-------------|-------------|
| <b>Receivables</b>                                          |      |             |             |
| Loans to controlled entities – current <sup>(1)</sup>       | 11   | –           | 35.0        |
| Loans to controlled entities – non-current <sup>(2)</sup>   | 11   | 829.5       | 444.6       |
| <b>Payables</b>                                             |      |             |             |
| Loans from controlled entities – non-current <sup>(2)</sup> | 19   | 568.9       | 8.6         |
| <b>Interest bearing liabilities</b>                         |      |             |             |
| Loans from controlled entities – non-current <sup>(2)</sup> | 20   | 655.2       | 730.0       |

(1) Loans are unsecured, non-interest bearing and repayable on demand.

(2) Loans are unsecured, bear interest at Goodman's weighted average cost of debt and are not required to be repaid in the next 12 months.

The Company is the head entity in the tax consolidated group comprising all Australian wholly-owned subsidiaries of the Company. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intra-group transactions). The assets and liabilities arising under the tax funding arrangement are recognised as inter-company assets and liabilities. Aggregate amounts receivable and payable from entities in the wholly-owned group at balance date are disclosed in notes 11 and 19.

## Note 31 Other related party disclosures (continued)

### (b) Transactions with associates and joint ventures

|                  | Sales of investment properties |          | Sales of controlled entities |          | Funds management |          | Revenue from fixed price development contracts |          | Property service fees |          | Development service fees |          | Cost recharges |          |
|------------------|--------------------------------|----------|------------------------------|----------|------------------|----------|------------------------------------------------|----------|-----------------------|----------|--------------------------|----------|----------------|----------|
|                  | 2007 \$M                       | 2006 \$M | 2007 \$M                     | 2006 \$M | 2007 \$M         | 2006 \$M | 2007 \$M                                       | 2006 \$M | 2007 \$M              | 2006 \$M | 2007 \$M                 | 2006 \$M | 2007 \$M       | 2006 \$M |
| GMT              | 32.4                           | 173.5    | —                            | —        | 5.8              | 3.9      | 5.2                                            | —        | 3.8                   | 2.5      | 4.2                      | 2.6      | 0.4            | —        |
| GAIF             | 333.8                          | 289.5    | 39.5                         | —        | 10.2             | 4.3      | 146.6                                          | —        | 1.2                   | 1.0      | 2.2                      | 13.2     | 0.6            | 0.1      |
| GELF             | —                              | —        | 161.1                        | —        | 1.2              | —        | 41.2                                           | —        | —                     | —        | —                        | —        | —              | —        |
| Balanced Fund    | —                              | —        | —                            | —        | 3.0              | 0.5      | —                                              | —        | —                     | —        | —                        | —        | —              | —        |
| MGA              | —                              | —        | —                            | —        | —                | —        | —                                              | —        | —                     | —        | —                        | —        | 0.2            | —        |
| Colworth         | —                              | —        | —                            | —        | —                | —        | —                                              | —        | —                     | —        | —                        | —        | 0.2            | 0.2      |
| Fisher Highbrook | —                              | —        | —                            | —        | —                | —        | —                                              | —        | 0.1                   | —        | 0.8                      | —        | —              | —        |

Amounts due from associates and joint ventures at 30 June 2007 are as follows:

|              | Due from sale of investment properties |          | Due for fixed price contracts |          | Due for cost recharges |          | Due for other services provided |          | Loans provided |          |
|--------------|----------------------------------------|----------|-------------------------------|----------|------------------------|----------|---------------------------------|----------|----------------|----------|
|              | 2007 \$M                               | 2006 \$M | 2007 \$M                      | 2006 \$M | 2007 \$M               | 2006 \$M | 2007 \$M                        | 2006 \$M | 2007 \$M       | 2006 \$M |
| GMT          | —                                      | —        | (0.7)                         | —        | —                      | —        | 1.0                             | —        | —              | —        |
| GAIF         | —                                      | —        | —                             | —        | —                      | —        | —                               | —        | (0.5)          | 7.2      |
| MGA          | —                                      | —        | —                             | —        | 0.1                    | —        | —                               | —        | 2.3            | —        |
| BGA1 Pty Ltd | —                                      | —        | —                             | —        | —                      | —        | —                               | —        | 32.9           | 1.9      |

Loans provided to associates and joint ventures are provided at arm's length interest rates and are repayable on demand. All other amounts due are receivable within 30 days.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 32 Employee benefits

|                                                                     | Consolidated |             | Parent Entity |             |
|---------------------------------------------------------------------|--------------|-------------|---------------|-------------|
|                                                                     | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| <b>Aggregate Liability for Employee Benefits including On-costs</b> |              |             |               |             |
| Current:                                                            |              |             |               |             |
| – Annual leave                                                      | 2.5          | 4.6         | –             | –           |
| Non-current:                                                        |              |             |               |             |
| – Employee benefits provision                                       | 7.3          | 8.1         | –             | –           |
| Present value of net obligations                                    |              |             |               |             |
| Recognised liability for defined benefit obligation (note a)        | 14.4         | 11.2        | –             | –           |
| Liability for long service leave                                    | 1.2          | 0.7         | –             | –           |
|                                                                     | <b>22.9</b>  | <b>20.0</b> | <b>–</b>      | <b>–</b>    |
| <b>Number of Employees</b>                                          |              |             |               |             |
| Employed directly                                                   | 829          | 637         | –             | –           |
| Employed by Asian joint ventures                                    | 276          | 193         | –             | –           |
| <b>Total</b>                                                        | <b>1,105</b> | <b>830</b>  | <b>–</b>      | <b>–</b>    |

### (a) Liability for defined benefit obligation

Since the acquisition of Arlington in December 2005, the Consolidated Entity operates two United Kingdom defined benefit funds of the “final salary” type, both of which are closed to new entrants. Employer contributions payable over the annual period after the balance date are expected to remain at the same annual rates payable in the current period.

The pension expense charged to the Income Statement does not include actuarial gains or losses, which are recognised in the period in which they occur directly in equity.

|                                                  | 2007<br>\$M | 2006<br>\$M |
|--------------------------------------------------|-------------|-------------|
| <b>Change in Benefit Obligation</b>              |             |             |
| Benefit obligation at the beginning of the year  | 67.5        | –           |
| Benefit obligation at the date of acquisition    | –           | 69.7        |
| Current service cost                             | 2.7         | 1.3         |
| Interest cost                                    | 3.4         | 1.8         |
| Member contributions                             | 0.2         | 0.2         |
| Actuarial deficit/(gain)                         | 0.5         | (5.1)       |
| Benefits paid                                    | (1.0)       | (0.4)       |
| Effect of foreign exchange rates                 | (3.8)       | –           |
| <b>Benefit obligation at the end of the year</b> | <b>69.5</b> | <b>67.5</b> |

## Note 32 Employee benefits (continued)

### (a) Liability for defined benefit obligation (continued)

|                                                                         | 2007<br>\$M | 2006<br>\$M |
|-------------------------------------------------------------------------|-------------|-------------|
| Analysis of defined benefit obligation:                                 |             |             |
| Funds that are wholly or partly funded                                  | 69.5        | 67.5        |
| Change in fund assets:                                                  |             |             |
| Fair value of fund assets at the beginning of the year                  | 56.3        | –           |
| Fair value of fund assets at date of acquisition                        | –           | 53.7        |
| Expected return on fund assets                                          | 2.5         | 1.7         |
| Actuarial loss                                                          | (2.0)       | (1.0)       |
| Employer contributions                                                  | 2.2         | 2.1         |
| Member contributions                                                    | 0.2         | 0.2         |
| Benefits paid                                                           | (1.0)       | (0.4)       |
| Effect of foreign exchange rates                                        | (3.1)       | –           |
| <b>Fair value of fund assets at the end of the year</b>                 | <b>55.1</b> | <b>56.3</b> |
| Funding deficit at the end of the year                                  | 14.4        | 11.2        |
| <b>Net liability recognised at the end of the year</b>                  | <b>14.4</b> | <b>11.2</b> |
| <b>Components of Pension Cost</b>                                       |             |             |
| Current service cost                                                    | 2.7         | 1.3         |
| Interest cost                                                           | 3.4         | 1.8         |
| Expected return on fund assets                                          | (3.4)       | (1.7)       |
| <b>Total cost recognised in the Income Statement</b>                    | <b>2.7</b>  | <b>1.4</b>  |
| Actuarial gain recognised immediately in equity                         | –           | 4.0         |
| Less: Deferred tax expense                                              | –           | (1.3)       |
| <b>Net actuarial gain recognised immediately in equity</b>              | <b>–</b>    | <b>2.7</b>  |
| Estimate of expected contributions to be made during the following year | 2.3         | 2.2         |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 32 Employee benefits (continued)

### (a) Liability for defined benefit obligation (continued)

#### Fund assets

The actual return on fund assets during the year was \$0.6 million (2006: \$4.0 million). The weighted average asset allocation at the end of the year was as follows:

|          | 2007<br>%    | 2006<br>%    |
|----------|--------------|--------------|
| Equities | 65.0         | 60.0         |
| Bonds    | 35.0         | 40.0         |
|          | <b>100.0</b> | <b>100.0</b> |

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

|                                                                           | 2007<br>% | 2006<br>% |
|---------------------------------------------------------------------------|-----------|-----------|
| <b>Weighted Average Assumptions Used to Determine Benefit Obligations</b> |           |           |
| Discount rate                                                             | 5.50      | 5.25      |
| Rate of compensation increase                                             | 4.75      | 4.75      |

#### Weighted Average Assumptions Used to Determine Net Pension Cost

|                                          |      |      |
|------------------------------------------|------|------|
| Discount rate                            | 5.25 | 5.00 |
| Expected long-term return on fund assets | 6.13 | 6.12 |
| Rate of benefit increase                 | 2.75 | 3.88 |
| Rate of compensation increase            | 4.75 | 4.75 |

| Historical Information                           | \$M    | \$M    |
|--------------------------------------------------|--------|--------|
| Benefit obligation at the end of the year        | (69.5) | (67.5) |
| Fair value of fund assets at the end of the year | 55.1   | 56.3   |
| Defecit                                          | (14.4) | (11.2) |

#### Difference between Expected and Actual return on Fund Assets

|                             |       |       |
|-----------------------------|-------|-------|
| - amount (\$M)              | (2.8) | (1.0) |
| - percentage of fund assets | (5%)  | (2%)  |

#### Experience Gains and Losses on Fund Liabilities:

|                                  |     |   |
|----------------------------------|-----|---|
| - amount (\$M)                   | 0.4 | - |
| - percentage of fund liabilities | 1%  | - |

## Note 32 Employee benefits (continued)

### (b) Share based payments

The Company provides equity based remuneration through the issue of options or participation in the ESAP. Details of equity based remuneration are as follows:

#### (i) Options

Goodman has an Executive Option Plan which was re-approved at the Annual General Meeting of the Company on 16 November 2006.

In prior years, options issued under the Executive Option Plan entitled employees to purchase securities in Goodman on exercise of the options. On 13 October 2006, Goodman introduced options which entitled employees to a cash settlement on exercise of the options. The settlement amount is based on the difference between the market price of the security and the exercise price of the option on the date of exercise. The cash settled options were introduced due to tax laws in foreign jurisdictions which did not favour the issue of equity settled options to employees in these foreign jurisdictions.

During or since the end of the year, no options over unissued securities were granted to Directors. Future issues of options will be subject to the following broad terms:

- options will expire on the earlier of approximately six years or termination of the employee's employment;
- the ability to exercise options will be conditional on the Consolidated Entity achieving return on equity hurdles on average greater than 12% over the period of the option;
- options will vest equally over the end of years three, four and five; and
- the exercise price of options will be based on the volume weighted average market price of securities traded on the ASX during ten trading days immediately prior to the date options are offered to the employee.

The broad terms of grants under the ESAP are as follows:

- subject to offers made from time to time by the Company, eligible employees will be able to acquire restricted securities at the market price prevailing at the time of offer using funds borrowed from Goodman. Securities may only be acquired during the periods permitted under the Company's policies for employees dealing in securities;
- the market price will be the 10 day volume weighted average price at which securities are traded on the ASX prior to the date of the offer;
- securities will be restricted for three years, with one third of the securities becoming unrestricted each year at the end of years three, four and five, subject to restrictions;
- restrictions will be based on the participant remaining an employee and the Consolidated Entity achieving return on equity targets on average greater than 12% over the period of the offer;
- loans to purchase securities will be limited recourse and interest bearing at Goodman's weighted average cost of debt; and
- the after-tax amount of any dividends or distributions paid on restricted securities acquired with the loan must be applied towards payment of interest and the principal of the loan. Tax is deducted at the highest marginal rate for individuals.

The number and weighted average exercise prices of securities issued under the ESAP are as follows:

|                                           | Weighted average exercise price |             | Number of securities |                   |
|-------------------------------------------|---------------------------------|-------------|----------------------|-------------------|
|                                           | 2007<br>\$                      | 2006<br>\$  | 2007                 | 2006              |
| Outstanding at the beginning of the year  | 4.17                            | 2.37        | 31,469,546           | 10,916,671        |
| Exercised during the year                 | 2.73                            | 1.77        | (4,525,346)          | (3,368,335)       |
| Granted during the year                   | 6.93                            | 4.65        | 16,435,500           | 23,921,210        |
| <b>Outstanding at the end of the year</b> | <b>5.37</b>                     | <b>4.17</b> | <b>43,379,700</b>    | <b>31,469,546</b> |
| <b>Exercisable at the end of the year</b> | <b>3.10</b>                     | <b>2.80</b> | <b>766,665</b>       | <b>1,266,664</b>  |

The outstanding securities under the ESAP at 30 June 2007 have a price in the range of \$2.59 to \$7.23 (2006: \$0.80 to \$5.24).

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 32 Employee benefits (continued)

### (b) Share based payments (continued)

The number and weighted average exercise prices of options are as follows:

|                                           | Weighted average exercise price |             | Number of options |                   |
|-------------------------------------------|---------------------------------|-------------|-------------------|-------------------|
|                                           | 2007<br>\$                      | 2006<br>\$  | 2007              | 2006              |
| Outstanding at the beginning of the year  | 4.32                            | 2.28        | 25,753,947        | 2,133,334         |
| Exercised during the year                 | 3.34                            | 1.71        | (593,333)         | (1,033,332)       |
| Granted during the year                   | 7.01                            | 4.39        | 46,282,500        | 24,653,945        |
| Forfeited during the year                 | 6.02                            | –           | (5,526,000)       | –                 |
| <b>Outstanding at the end of the year</b> | <b>6.07</b>                     | <b>4.32</b> | <b>65,917,114</b> | <b>25,753,947</b> |
| <b>Exercisable at the end of the year</b> | <b>2.84</b>                     | <b>–</b>    | <b>166,667</b>    | <b>–</b>          |

The share options outstanding at 30 June 2007 have a price in the range of \$2.59 to \$7.23 (2006: \$2.59 to \$5.24).

The fair value of services received in return for options and securities granted under the Executive Option Plan and ESAP respectively are measured by reference to the fair value of share options and securities granted. The estimate of the fair value of the services received is measured based on a combination of Monte Carlo simulations and numerical option valuation in a lattice framework. The methodology takes into account the performance hurdles, exercise price, the term of the option, the security price at grant date, expected volatility of the security, the expected dividend yield and the risk free rate of interest for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 include the following:

|                                     | Cash settled options issued on 13 Oct 06 | Options issued on 13 Oct 06 | Securities issued under the ESAP on 29 Sep 06 | Cash settled options issued on 10 Apr 06 | Options issued on 10 Apr 06 | Securities issued under the ESAP on 10 Apr 06 | Options issued on 22 Jun 07 |
|-------------------------------------|------------------------------------------|-----------------------------|-----------------------------------------------|------------------------------------------|-----------------------------|-----------------------------------------------|-----------------------------|
| Fair value at measurement date (\$) | 1.01                                     | 0.53                        | 0.58                                          | 0.84                                     | 0.75                        | 1.10                                          | 0.89                        |
| Security price (\$)                 | 7.03                                     | 6.68                        | 6.52                                          | 7.03                                     | 7.17                        | 7.17                                          | 7.00                        |
| Exercise price (\$)                 | 6.35                                     | 6.35                        | 6.25                                          | 7.23                                     | 7.23                        | 7.23                                          | 7.13                        |
| Expected volatility                 | 19.8%                                    | 18.6%                       | 18.6%                                         | 19.8%                                    | 18.6%                       | 18.6%                                         | 19.8%                       |
| Option life                         | 5 years                                  | 5 years                     | 5 years                                       | 5 years                                  | 5 years                     | 5 years                                       | 5 years                     |
| Dividend yield (pa)                 | 5.20%                                    | 5.20%                       | 5.20%                                         | 5.30%                                    | 5.30%                       | 5.30%                                         | 5.30%                       |
| Risk free rate of interest (pa)     | 7.07%                                    | 6.38%                       | 6.19%                                         | 7.07%                                    | 6.32%                       | 6.64%                                         | 6.58%                       |

Share options expense included under employee expenses are as follows:

|                                | Consolidated |             | Parent Entity |             |
|--------------------------------|--------------|-------------|---------------|-------------|
|                                | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Share options – equity settled | 16.2         | 7.5         | –             | –           |

## Note 33 Additional financial instruments disclosure

### (a) Interest rate risk

The Consolidated Entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. The interest rate swap contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest. At 30 June 2007, details of the contracts are as follows:

|                                    | Interest rate swaps                             |         |                                     |       | Fixed rate debt         |      |                                     |      |
|------------------------------------|-------------------------------------------------|---------|-------------------------------------|-------|-------------------------|------|-------------------------------------|------|
|                                    | Notional principal <sup>(1)</sup><br>Currency M |         | Average rate <sup>(2)</sup><br>% pa |       | Principal<br>Currency M |      | Average rate <sup>(2)</sup><br>% pa |      |
|                                    | 2007                                            | 2006    | 2007                                | 2006  | 2007                    | 2006 | 2007                                | 2006 |
| <b>Euros Payable</b>               |                                                 |         |                                     |       |                         |      |                                     |      |
| 30 June 2006                       | –                                               | (342.5) | –                                   | 3.82% | –                       | –    | –                                   | –    |
| 30 June 2007                       | (390.0)                                         | (276.5) | 3.76%                               | 3.69% | –                       | –    | –                                   | –    |
| 30 June 2008                       | (390.0)                                         | (240.0) | 3.76%                               | 3.69% | –                       | –    | –                                   | –    |
| 30 June 2009                       | (382.9)                                         | (232.9) | 3.78%                               | 3.71% | –                       | –    | –                                   | –    |
| 30 June 2010                       | (320.0)                                         | (170.0) | 4.02%                               | 4.12% | –                       | –    | –                                   | –    |
| 30 June 2011                       | (315.9)                                         | (165.9) | 4.03%                               | 4.12% | –                       | –    | –                                   | –    |
| 30 June 2012                       | (270.0)                                         | (120.0) | 4.06%                               | 4.23% | –                       | –    | –                                   | –    |
| <b>Pounds Sterling Payable</b>     |                                                 |         |                                     |       |                         |      |                                     |      |
| 30 June 2006                       | –                                               | (181.1) | –                                   | 4.69% | –                       | –    | –                                   | –    |
| 30 June 2007                       | (283.4)                                         | (180.1) | 4.72%                               | 4.69% | –                       | –    | –                                   | –    |
| 30 June 2008                       | (283.4)                                         | (180.0) | 4.72%                               | 4.69% | –                       | –    | –                                   | –    |
| 30 June 2009                       | (233.2)                                         | (180.0) | 4.76%                               | 4.69% | –                       | –    | –                                   | –    |
| 30 June 2010                       | (230.0)                                         | (180.0) | 4.76%                               | 4.69% | –                       | –    | –                                   | –    |
| 30 June 2011                       | (203.0)                                         | (153.0) | 4.78%                               | 4.69% | –                       | –    | –                                   | –    |
| 30 June 2012                       | (115.0)                                         | (65.0)  | 4.82%                               | 4.65% | –                       | –    | –                                   | –    |
| <b>Hong Kong Dollars Payable</b>   |                                                 |         |                                     |       |                         |      |                                     |      |
| 30 June 2006                       | –                                               | (300.0) | –                                   | 4.98% | –                       | –    | –                                   | –    |
| 30 June 2007                       | (800.0)                                         | (300.0) | 4.61%                               | 4.98% | –                       | –    | –                                   | –    |
| 30 June 2008                       | (800.0)                                         | (300.0) | 4.61%                               | 4.98% | –                       | –    | –                                   | –    |
| 30 June 2009                       | (800.0)                                         | (300.0) | 4.65%                               | 4.98% | –                       | –    | –                                   | –    |
| 30 June 2010                       | (730.4)                                         | (300.0) | 4.58%                               | 4.98% | –                       | –    | –                                   | –    |
| 30 June 2011                       | (386.8)                                         | (91.2)  | 4.51%                               | 4.98% | –                       | –    | –                                   | –    |
| 30 June 2012                       | (145.5)                                         | –       | 4.55%                               | –     | –                       | –    | –                                   | –    |
| <b>New Zealand Dollars Payable</b> |                                                 |         |                                     |       |                         |      |                                     |      |
| 30 June 2006                       | –                                               | (140.0) | –                                   | 6.70% | –                       | –    | –                                   | –    |
| 30 June 2007                       | (200.0)                                         | (140.0) | 6.85%                               | 6.90% | –                       | –    | –                                   | –    |
| 30 June 2008                       | (200.0)                                         | (140.0) | 6.85%                               | 6.90% | –                       | –    | –                                   | –    |
| 30 June 2009                       | (193.3)                                         | (133.3) | 6.73%                               | 6.73% | –                       | –    | –                                   | –    |
| 30 June 2010                       | (190.0)                                         | (130.0) | 6.67%                               | 6.64% | –                       | –    | –                                   | –    |
| 30 June 2011                       | (135.9)                                         | (75.9)  | 6.61%                               | 6.52% | –                       | –    | –                                   | –    |
| 30 June 2012                       | (110.0)                                         | (50.0)  | 6.56%                               | 6.36% | –                       | –    | –                                   | –    |

(1) Notional principal amount as at 30 June 2006 and 30 June 2007 represents the actual amounts included in open swaps at those dates. For each succeeding year, the amount is the weighted average of principal balances included in hedge instruments over the course of the year.

(2) Average rate represents the average margin above the relevant overnight rate by region weighted by quantum of the principal.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 33 Additional financial instruments disclosure

### (a) Interest rate risk (continued)

|                                   | Interest rate swaps                             |         |                                     |       | Fixed rate debt         |         |                                     |       |
|-----------------------------------|-------------------------------------------------|---------|-------------------------------------|-------|-------------------------|---------|-------------------------------------|-------|
|                                   | Notional principal <sup>(1)</sup><br>Currency M |         | Average rate <sup>(2)</sup><br>% pa |       | Principal<br>Currency M |         | Average rate <sup>(2)</sup><br>% pa |       |
|                                   | 2007                                            | 2006    | 2007                                | 2006  | 2007                    | 2006    | 2007                                | 2006  |
| <b>Singapore Dollars Payable</b>  |                                                 |         |                                     |       |                         |         |                                     |       |
| 30 June 2006                      | –                                               | (167.9) | –                                   | 3.58% | –                       | –       | –                                   | –     |
| 30 June 2007                      | (135.0)                                         | (149.6) | 3.58%                               | 2.98% | –                       | –       | –                                   | –     |
| 30 June 2008                      | (135.0)                                         | (96.8)  | 3.58%                               | 3.59% | –                       | –       | –                                   | –     |
| 30 June 2009                      | (135.0)                                         | (85.0)  | 3.58%                               | 3.82% | –                       | –       | –                                   | –     |
| 30 June 2010                      | (135.0)                                         | (85.0)  | 3.58%                               | 3.82% | –                       | –       | –                                   | –     |
| 30 June 2011                      | (125.1)                                         | (75.1)  | 3.57%                               | 3.83% | –                       | –       | –                                   | –     |
| 30 June 2012                      | (79.1)                                          | (40.0)  | 3.54%                               | 3.90% | –                       | –       | –                                   | –     |
| <b>Japanese Yen Payable</b>       |                                                 |         |                                     |       |                         |         |                                     |       |
| 30 June 2007                      | (9,533.3)                                       | –       | 1.57%                               | –     | –                       | –       | –                                   | –     |
| 30 June 2008                      | (13,000.0)                                      | –       | 1.57%                               | –     | –                       | –       | –                                   | –     |
| 30 June 2009                      | (13,000.0)                                      | –       | 1.57%                               | –     | –                       | –       | –                                   | –     |
| 30 June 2010                      | (13,000.0)                                      | –       | 1.57%                               | –     | –                       | –       | –                                   | –     |
| 30 June 2011                      | (13,000.0)                                      | –       | 1.57%                               | –     | –                       | –       | –                                   | –     |
| 30 June 2012                      | (12,459.0)                                      | –       | 1.58%                               | –     | –                       | –       | –                                   | –     |
| <b>Australian Dollars Payable</b> |                                                 |         |                                     |       |                         |         |                                     |       |
| 30 June 2006                      | –                                               | (441.0) | –                                   | 5.99% | –                       | (221.0) | –                                   | 5.25% |
| 30 June 2007                      | –                                               | (538.4) | –                                   | 5.84% | –                       | –       | –                                   | –     |
| 30 June 2008                      | –                                               | (470.0) | –                                   | 5.95% | –                       | –       | –                                   | –     |
| 30 June 2009                      | –                                               | (431.0) | –                                   | 5.98% | –                       | –       | –                                   | –     |
| 30 June 2010                      | –                                               | (315.0) | –                                   | 6.08% | –                       | –       | –                                   | –     |
| 30 June 2011                      | –                                               | (298.8) | –                                   | 6.06% | –                       | –       | –                                   | –     |
| 30 June 2012                      | –                                               | (283.3) | –                                   | 6.04% | –                       | –       | –                                   | –     |

(1) Notional principal amount as at 30 June 2006 and 30 June 2007 represents the actual amounts included in open swaps at those dates. For each succeeding year, the amount is the weighted average of principal balances included in hedge instruments over the course of the year.

(2) Average rate represents the average margin above the relevant overnight rate by region weighted by quantum of the principal.

## Note 33 Additional financial instruments disclosure (continued)

### (b) Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in the United Kingdom, Europe, New Zealand, Singapore, Hong Kong, China and Japan. Foreign exchange risk represents the loss that would be recognised from fluctuations in currency prices against the Australian dollar.

The Consolidated Entity enters into forward foreign exchange contracts to hedge a proportion of the income received/receivable from its investments denominated in overseas currencies. The Consolidated Entity also draws down its borrowings for investments in the currency in which it invests to provide a hedge (subject to the effect of forward foreign currency contracts) and further drawdowns/repayments of debt are made to maintain this hedge.

In managing foreign currency risks, the Consolidated Entity aims to reduce the impact of short term fluctuations on the Consolidated Entity's earnings. Over the long term, however, permanent changes in foreign exchange will have an impact on profit.

Details of the Consolidated Entity's forward exchange contracts at 30 June 2007 are as follows:

|                                | Weighted average<br>exchange rate |        | Amounts<br>receivable |       | Amounts<br>payable |         |
|--------------------------------|-----------------------------------|--------|-----------------------|-------|--------------------|---------|
|                                |                                   |        | A\$M                  |       | Currency M         |         |
| Contracts to Buy A\$ and Sell: | 2007                              | 2006   | 2007                  | 2006  | 2007               | 2006    |
| <b>Euros</b>                   |                                   |        |                       |       |                    |         |
| 30 June 2006                   | –                                 | 0.5793 | –                     | 239.8 | –                  | (138.9) |
| 30 June 2007                   | –                                 | 0.5793 | –                     | 239.8 | –                  | (138.9) |
| <b>Pounds Sterling</b>         |                                   |        |                       |       |                    |         |
| 30 June 2007                   | 0.415                             | 0.415  | 24.1                  | 24.1  | (10.0)             | (10.0)  |
| 30 June 2008                   | 0.415                             | 0.415  | 24.1                  | 24.1  | (10.0)             | (10.0)  |
| 30 June 2009                   | 0.415                             | 0.415  | 24.1                  | 24.1  | (10.0)             | (10.0)  |
| 30 June 2010                   | 0.415                             | 0.415  | 24.1                  | 24.1  | (10.0)             | (10.0)  |
| 30 June 2011                   | 0.415                             | 0.415  | 12.0                  | 12.0  | (5.0)              | (5.0)   |
| <b>Hong Kong Dollars</b>       |                                   |        |                       |       |                    |         |
| 30 June 2007                   | 5.62                              | 5.62   | 1.1                   | 1.1   | (6.0)              | (6.0)   |
| 30 June 2008                   | 5.62                              | 5.62   | 1.1                   | 1.1   | (6.0)              | (6.0)   |
| 30 June 2009                   | 5.62                              | 5.62   | 1.1                   | 1.1   | (6.0)              | (6.0)   |
| <b>New Zealand Dollars</b>     |                                   |        |                       |       |                    |         |
| 30 June 2006                   | –                                 | 1.0991 | –                     | 0.7   | –                  | (0.8)   |
| 30 June 2007                   | 1.1322                            | 1.1322 | 1.4                   | 1.4   | (1.6)              | (1.6)   |
| 30 June 2008                   | 1.1322                            | 1.1322 | 11.0                  | 11.0  | (12.3)             | (12.3)  |
| 30 June 2009                   | 1.1321                            | 1.1321 | 0.8                   | 0.8   | (0.9)              | (0.9)   |
| 30 June 2010                   | 1.1321                            | 1.1321 | 0.8                   | 0.8   | (0.9)              | (0.9)   |
| 30 June 2011                   | 1.1321                            | 1.1321 | 0.4                   | 0.4   | (0.4)              | (0.4)   |
| 30 June 2012                   | 1.1321                            | 1.1321 | 0.4                   | 0.4   | (0.4)              | (0.4)   |

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 33 Additional financial instruments disclosure (continued)

### (b) Foreign exchange risk (continued)

|                                | Weighted average<br>exchange rate |        | Amounts<br>receivable |      | Amounts<br>payable |       |
|--------------------------------|-----------------------------------|--------|-----------------------|------|--------------------|-------|
|                                |                                   |        | A\$M                  |      | Currency M         |       |
| Contracts to Buy A\$ and Sell: | 2007                              | 2006   | 2007                  | 2006 | 2007               | 2006  |
| <b>Singapore Dollars</b>       |                                   |        |                       |      |                    |       |
| 30 June 2006                   | –                                 | 1.1433 | –                     | 1.5  | –                  | (1.9) |
| 30 June 2007                   | 1.1554                            | 1.1554 | 3.2                   | 3.2  | (3.8)              | (3.8) |
| 30 June 2008                   | 1.1542                            | 1.1542 | 3.3                   | 3.3  | (3.8)              | (3.8) |
| 30 June 2009                   | 1.1130                            | 1.1130 | 1.9                   | 1.9  | (2.1)              | (2.1) |
| 30 June 2010                   | 1.1130                            | 1.1130 | 1.9                   | 1.9  | (2.1)              | (2.1) |
| 30 June 2011                   | 1.1130                            | 1.1130 | 1.0                   | 1.0  | (1.1)              | (1.1) |
| 30 June 2012                   | 1.1130                            | 1.1130 | 1.0                   | 1.0  | (1.1)              | (1.1) |

Additionally, the Consolidated Entity uses cross currency swaps as follows:

|                                   | Weighted average<br>exchange rate |        | Amounts<br>receivable |       | Amounts<br>payable |         |
|-----------------------------------|-----------------------------------|--------|-----------------------|-------|--------------------|---------|
|                                   |                                   |        | A\$M                  |       | Currency M         |         |
| Contracts to Receive A\$ and Pay: | 2007                              | 2006   | 2007                  | 2006  | 2007               | 2006    |
| <b>Euros</b>                      |                                   |        |                       |       |                    |         |
| 30 June 2007                      | 0.609                             | –      | 492.6                 | –     | (300.0)            | –       |
| 30 June 2008                      | 0.609                             | –      | 492.6                 | –     | (300.0)            | –       |
| 30 June 2009                      | 0.609                             | –      | 492.6                 | –     | (300.0)            | –       |
| <b>Pounds Sterling</b>            |                                   |        |                       |       |                    |         |
| 30 June 2006                      | –                                 | 0.4012 | –                     | 351.7 | –                  | (141.0) |
| 30 June 2007                      | –                                 | 0.4012 | –                     | 351.7 | –                  | (141.0) |

### (c) Credit risk

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

The credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the Balance Sheet, is the carrying amount.

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

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short-term borrowings.

Concentration of credit risk exists from time to time on trade debtors for the proceeds of disposals of investment properties. The credit risk is minimised as legal title is passed only upon receipt of proceeds for the sale of those assets.

## Note 33 Additional financial instruments disclosure (continued)

### (d) Net fair value of financial assets and liabilities

#### Recognised Financial Instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, are as follows:

|                                      |      | Carrying<br>amount | Fair<br>value  | Carrying<br>amount | Fair<br>value  |
|--------------------------------------|------|--------------------|----------------|--------------------|----------------|
| Consolidated                         | Note | 2007<br>\$M        | 2007<br>\$M    | 2006<br>\$M        | 2006<br>\$M    |
| <b>Financial Assets</b>              |      |                    |                |                    |                |
| Cash                                 | 27   | 81.8               | 81.8           | 23.3               | 23.3           |
| Receivables:                         | 11   |                    |                |                    |                |
| – Interest rate derivatives          |      | 65.6               | 65.6           | 18.7               | 18.7           |
| – Cross currency swaps               |      | 15.9               | 15.9           | –                  | –              |
| – Foreign exchange contracts         |      | 3.4                | 3.4            | –                  | –              |
| – Receivables from the ESAP          |      | 7.7                | 7.7            | 4.5                | 4.5            |
| – Loans to other related parties     |      | 68.7               | 68.7           | 49.8               | 49.8           |
| Other financial assets:              | 16   |                    |                |                    |                |
| – Investments in listed securities   |      | 202.1              | 202.1          | 137.4              | 137.4          |
| – Investments in unlisted securities |      | 204.9              | 204.9          | 93.8               | 93.8           |
|                                      |      | <b>650.1</b>       | <b>650.1</b>   | <b>327.5</b>       | <b>327.5</b>   |
| <b>Financial Liabilities</b>         |      |                    |                |                    |                |
| Payables:                            |      |                    |                |                    |                |
| – Trade and other payables           | 19   | 429.9              | 429.9          | 451.8              | 451.8          |
| Interest bearing liabilities         |      | 3,861.6            | 3,861.6        | 2,172.3            | 2,172.3        |
| Provisions:                          | 20   |                    |                |                    |                |
| – Distributions                      | 21   | 129.9              | 129.9          | 108.5              | 108.5          |
| – Employee benefits                  |      | 32.3               | 32.3           | –                  | –              |
|                                      |      | <b>4,453.7</b>     | <b>4,453.7</b> | <b>2,732.6</b>     | <b>2,732.6</b> |

The methods used for determining fair values are discussed in notes 1, 6, 14 and 16.

Refer also to note 15 for details of differences between carrying values and investments in associates which are listed.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 34 Auditors' remuneration

|                                                               | Consolidated   |                | Parent Entity |               |
|---------------------------------------------------------------|----------------|----------------|---------------|---------------|
|                                                               | 2007<br>\$000  | 2006<br>\$000  | 2007<br>\$000 | 2006<br>\$000 |
| <b>Audit Services</b>                                         |                |                |               |               |
| Auditor of the Company:                                       |                |                |               |               |
| – Audit and review of financial reports (KPMG Australia)      | 805.1          | 585.0          | –             | –             |
| – Audit and review of financial reports (overseas KPMG firms) | 764.4          | 528.7          | –             | –             |
|                                                               | <b>1,569.5</b> | <b>1,113.7</b> | <b>–</b>      | <b>–</b>      |
| <b>Other Regulatory Services</b>                              |                |                |               |               |
| – Other regulatory services (KPMG Australia)                  | 50.1           | 51.0           | –             | –             |
| – Other regulatory services (overseas KPMG firms)             | 12.9           | 35.4           | –             | –             |
| <b>Other Assurance Services</b>                               |                |                |               |               |
| – Investigative accounting services (KPMG Australia)          | 48.1           | 1,101.7        | –             | –             |
| – Investigative accounting services (overseas KPMG firms)     | 176.6          | 367.3          | –             | –             |
| <b>Other Taxation Services</b>                                |                |                |               |               |
| – Taxation compliance services (KPMG Australia)               | 234.7          | 247.4          | –             | –             |
| – Taxation compliance services (overseas KPMG firms)          | 145.6          | 452.1          | –             | –             |
| – Other taxation advice (KPMG Australia)                      | 124.4          | 359.9          | –             | –             |
| – Other taxation advice (overseas KPMG firms)                 | 1,463.4        | 71.6           | –             | –             |
|                                                               | <b>2,255.8</b> | <b>2,686.4</b> | <b>–</b>      | <b>–</b>      |
| <b>Total paid/payable to KPMG</b>                             | <b>3,825.3</b> | <b>3,800.1</b> | <b>–</b>      | <b>–</b>      |
| <b>Other Auditors</b>                                         |                |                |               |               |
| – Audit and review of financial reports (non-KPMG firms)      | 66.3           | 9.7            | –             | –             |

## Note 35 Events subsequent to balance date

On 2 July 2007, Macquarie Goodman Management Limited changed its name to Goodman International Limited. The names of certain controlled entities and managed funds have been amended. Refer to note 28 for details of these changes.

Subsequent to 30 June 2007 and up to the date of this report, the Consolidated Entity:

- contracted to sell a portfolio of properties with carrying value of \$449.0 million in Australia to GAIF;
- invested a further \$245.2 million in ABPP and \$73.6 million in GAIF; and
- invested a further \$270.7 million in ING Industrial Fund, an entity listed in Australia on the ASX.

# Directors' Declaration

In the opinion of the Directors of Goodman International Limited:

- (a) the financial statements and the accompanying notes of the Consolidated Entity and the remuneration disclosures that are contained on pages 38 to 48 in the remuneration report in the Directors' Report, set out on pages 33 to 52, are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the remuneration disclosures that are set out on pages 38 to 48 in the remuneration report in the Directors' Report comply with the Australian Accounting Standard AASB124 Related Party Disclosures and ASIC Class Order 06/105 Calculation of director and executive remuneration/Corporations Act Regulation 2M.6.04; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration by the Group Chief Executive Officer and Group Chief Financial Officer for the year ended 30 June 2007 pursuant to section 295A of the Corporations Act 2001 signed in accordance with a resolution of the Directors.



David Clarke, AO  
Chairman

Sydney, 16 August 2007



Gregory Goodman  
Director

# Independent Auditor's Report to the members of Goodman International Limited



## Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Goodman International Limited ("the Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" on pages 8 to 14 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

### Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

### Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

### Auditor's opinion on the financial report

In our opinion the financial report of Goodman International Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

### Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained on pages 8 to 14 of the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

J Teer  
Partner

Sydney, 16 August 2007

# Securities information

| Top 20 Securityholders as at 29 June 2007        |                                                                       | Number of Securities |  | Percentage of total issued securities |
|--------------------------------------------------|-----------------------------------------------------------------------|----------------------|--|---------------------------------------|
| 1                                                | HSBC Custody Nominees (Australia) Limited                             | 248,404,774          |  | 14.67                                 |
| 2                                                | Citicorp Nominees Pty Limited                                         | 242,571,785          |  | 14.33                                 |
| 3                                                | J P Morgan Nominees Australia Limited                                 | 202,117,051          |  | 11.94                                 |
| 4                                                | National Nominees Limited                                             | 150,430,929          |  | 8.89                                  |
| 5                                                | ANZ Nominees Limited                                                  | 144,677,944          |  | 8.55                                  |
| 6                                                | Goodman Group                                                         | 113,196,968          |  | 6.69                                  |
| 7                                                | Cogent Nominees Pty Limited                                           | 52,886,789           |  | 3.12                                  |
| 8                                                | RBC Dexia Investors Services Australia Nominees Pty Ltd               | 41,366,055           |  | 2.44                                  |
| 9                                                | Bond Street Custodian Limited                                         | 32,516,188           |  | 1.92                                  |
| 10                                               | AMP Life Limited                                                      | 25,053,461           |  | 1.48                                  |
| 11                                               | Queensland Investment Corp                                            | 22,411,351           |  | 1.32                                  |
| 12                                               | UBS Private Clients Australia Nominees Pty Ltd                        | 20,832,125           |  | 1.23                                  |
| 13                                               | Questor Financial Services Limited                                    | 18,865,011           |  | 1.11                                  |
| 14                                               | Warbont Nominees Pty Ltd                                              | 15,884,575           |  | 0.94                                  |
| 15                                               | ECAPITAL Nominees Pty Limited                                         | 12,353,857           |  | 0.73                                  |
| 16                                               | Mr Peter Francia Menzies, Ms Mary Ann Mahoney, Mr Peter James Mahoney | 11,660,719           |  | 0.69                                  |
| 17                                               | Mormarl Pty Ltd                                                       | 9,952,459            |  | 0.59                                  |
| 18                                               | Bainpro Nominees Pty Limited                                          | 9,594,006            |  | 0.57                                  |
| 19                                               | Cerfontaine SA                                                        | 8,481,301            |  | 0.50                                  |
| 20                                               | Suncorp Custodian Services Pty Limited                                | 7,573,888            |  | 0.45                                  |
| <b>Securities held by top 20 Securityholders</b> |                                                                       | <b>1,390,831,236</b> |  | <b>82.16</b>                          |
| <b>Balance of securities held</b>                |                                                                       |                      |  | <b>17.84</b>                          |
| <b>Total issued securities</b>                   |                                                                       |                      |  | <b>100.00</b>                         |

## Range of Securities

|                       |               |                      |               |
|-----------------------|---------------|----------------------|---------------|
| 1-1,000               | 2,193         | 997,984              | 0.06          |
| 1,001-5,000           | 8,194         | 24,771,398           | 1.46          |
| 5,001-10,000          | 6,119         | 44,385,687           | 2.62          |
| 10,001-100,000        | 5,423         | 110,447,818          | 6.52          |
| 100,001-9,999,999,999 | 302           | 1,512,133,805        | 89.33         |
| Rounding              |               |                      | 0.01          |
| <b>Total</b>          | <b>22,231</b> | <b>1,692,736,692</b> | <b>100.00</b> |

Securityholders with less than a marketable parcel 397 9,137 Securities

## Substantial Securityholders<sup>(1)</sup>

|                        | Number of Securities |
|------------------------|----------------------|
| Goodman Holdings Group | 144,093,259          |
| Commonwealth Bank      | 141,143,458          |

(1) In accordance with latest Substantial Securityholder Notices as at 27 August 2007.

## Voting rights

On a show of hands, every person present who is an eligible Securityholder shall have one vote and on a poll, every person present who is an eligible Securityholder shall have one vote for each Goodman International Limited share and one vote for each dollar value of Goodman Industrial Trust units that the eligible Securityholder holds or represents (as the case may be).

## On-market buy-back

There is no current on-market buy-back.

# Other Managed Funds

## Listed Property Funds

### Goodman Property Trust<sup>(1)</sup>

|                      |               |
|----------------------|---------------|
| Sector               | Industrial    |
| Number of properties | 26            |
| Total assets         | \$1.2 billion |
| Unit price           | \$1.60        |
| Yield                | 6.4%          |
| NZX code             | GMT           |

### Ascendas Real Estate Investment Trust<sup>(2)</sup>

|                      |                               |
|----------------------|-------------------------------|
| Sector               | Business/Industrial/Logistics |
| Number of properties | 78                            |
| Total assets         | \$2.6 billion                 |
| Unit price           | \$2.94                        |
| Yield                | 4.6%                          |
| SGX code             | Ascendasreit                  |

(1) Listed on the New Zealand Exchange and based on results for the year ended 31 March 2007.

(2) Listed on the Singaporean Exchange and based on results for the year ended 31 March 2006. Managed by Ascendas – MGM Funds Management Limited, which is a 60/40 joint venture between Ascendas Land (Singapore) Pte Ltd and Goodman Group.

## Unlisted Property Funds

### Goodman Australia Industrial Fund

|                      |               |
|----------------------|---------------|
| Sector               | Industrial    |
| Number of properties | 64            |
| Total assets         | \$2.4 billion |

### Macquarie Goodman Hong Kong Logistics Fund

|                      |               |
|----------------------|---------------|
| Sector               | Logistics     |
| Number of properties | 16            |
| Total assets         | \$1.2 billion |

### Goodman European Logistics Fund

|                      |               |
|----------------------|---------------|
| Sector               | Logistics     |
| Number of Properties | 20            |
| Total assets         | \$0.5 billion |

### Other

#### UK Wholesale

|                                     |                               |
|-------------------------------------|-------------------------------|
| Sector                              | Business/Industrial/Logistics |
| Number of funds                     | 12                            |
| Number of business space properties | 199                           |
| Total assets                        | \$8.3 billion                 |

### UK Mandates

|                                     |                               |
|-------------------------------------|-------------------------------|
| Sector                              | Business/Industrial/Logistics |
| Number of funds                     | 22                            |
| Number of business space properties | 201                           |
| Total assets                        | \$14.9 billion                |

For more information on Goodman Group's products, please visit [www.goodmanintl.com](http://www.goodmanintl.com), call 1300 791 100 or email us at [info@goodmanintl.com](mailto:info@goodmanintl.com). For Ascendas Real Estate Investment Trust, please visit [www.a-reit.com](http://www.a-reit.com).

# Glossary

**A-REIT** Ascendas Real Estate Investment Trust: a property trust listed on the Singapore Exchange managed by Ascendas-MGM Funds Management Limited, a 60/40 joint venture between Ascendas Land (Singapore) Pty Ltd and GMG.

**AASB** Australian Accounting Standards Board

**AIFRS** Australian equivalents to International Financial Reporting Standards

**ASIC** Australian Securities and Investments Commission

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

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

**Cps** Cents per security

**Cpu** Cents per unit

**Customer Service Model** Customer Service Model means Goodman Group's operating and cultural philosophy, which is based on providing complete property solutions to its customers through the delivery of a diverse range of industrial property and business space products and in-house property services.

**Distribution yield** The annual distribution expressed as a percentage of the security price.

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

**EBIT** Earnings before interest and tax

**EPS** Earnings per security

**ESAP** Employee Securities Acquisition Plan

**Eurinpro** Eurinpro International SA

**Executive Option Plan** The Executive Option Plan was approved by Securityholders on 16 November 2006.

**GAIF** Goodman Australia Industrial Trust No 1 (ARSN 088 750 627) and Goodman Australia Industrial Trust No 2 (ARSN 116 208 612) stapled to form Goodman Australia Industrial Fund.

**GCT** Goodman Capital Trust (formerly Macquarie Goodman Capital Trust ARSN 100 155 986).

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

**GIL** Goodman International Limited (formerly Macquarie Goodman Management Limited ABN 69 000 123 071) and its controlled entities, where the context requires.

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

**GMT** Goodman Property Trust (formerly Macquarie Goodman Property Trust or MGP): a listed property trust on the NZX managed by GMG.

**Goodman Group** or **GMG** Goodman International Limited and Goodman Industrial Trust, trading as Goodman Group (formerly Macquarie Goodman Group or MGQ) and where the context requires, their controlled entities.

**Goodman Holdings Group** Goodman Holdings Pty Limited and its controlled entities.

**J-REP** Japan Representative: an industrial property management company listed on the Tokyo Stock Exchange.

**Macquarie Bank Group** or **MBL** Macquarie Bank Limited and its controlled entities, where the context requires.

**MGA** Macquarie Goodman Asia: a joint venture between Goodman Group and Macquarie Bank Limited which has investments in Hong Kong, China and Japan.

**MGLF-HK** Macquarie Goodman Hong Kong Logistics Fund: an unlisted property fund specialising in the investment of industrial property in Hong Kong (formerly Macquarie Goodman Hong Kong Wholesale Fund).

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

**NLA** Net lettable area

**NTA** Net tangible assets: the value of gross assets less all debts and other liabilities, divided by the number of securities on issue expressed as a dollar value.

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

**OH&S** Occupational health and safety

**RePS** Reset Preference Units in GCT (ARSN 100 155 986).

**RePS Holder** A holder of RePS

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

**Rosemound** Rosemound Developments Limited

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

**Securityholder** A holder of a Stapled Security.

**Shareholder** A shareholder of GIL

**Sq ft** Square feet

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

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

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

**Unitholder** A unitholder of GIT

**Wholesale fund** An unlisted fund managed by a professional fund manager that pools moneys from institutional investors to invest in assets that would not normally be accessible to individuals. Wholesale funds aim to deliver income and capital growth to investors, e.g. GAIF and MGLF-HK.

# Corporate directory

## Goodman Group

### Goodman International Limited

ABN 69 000 123 071

### Goodman Industrial Trust

ARSN 091 213 839

### Responsible Entity

Goodman Funds Management Limited

ABN 48 067 796 641; AFSL Number 223621

## Offices

### Registered office

Level 10  
60 Castlereagh Street  
Sydney NSW 2000  
Australia

GPO Box 4703  
Sydney NSW 2001

Telephone 1300 791 100 (within Australia)  
+61 2 9230 7400 (outside Australia)

Facsimile +61 2 9230 7444

Email [info@goodmanintl.com](mailto:info@goodmanintl.com)

Website [www.goodmanintl.com](http://www.goodmanintl.com)

### Other offices

|            |              |                         |           |
|------------|--------------|-------------------------|-----------|
| Adelaide   | Christchurch | Luxembourg              | Paris     |
| Amsterdam  | Eindhoven    | Madrid                  | Perth     |
| Auckland   | Glasgow      | Melbourne               | Prague    |
| Barcelona  | Hamburg      | Milan                   | Reading   |
| Birmingham | Hong Kong    | Munich                  | Shanghai  |
| Brisbane   | Istanbul     | Nagoya                  | Singapore |
| Brussels   | Langenfeld   | New York <sup>(1)</sup> | Tokyo     |
| Budapest   | London       | Osaka                   | Warsaw    |

(1) Representative office only.

## Directors

|                        |                                                                  |
|------------------------|------------------------------------------------------------------|
| Mr David S. Clarke, AO | (Chairman)                                                       |
| Dr David Teplitzky     | (Independent Deputy Chairman)                                    |
| Mr Gregory Goodman     | (Group Chief Executive Officer)                                  |
| Mr Ian Ferrier, AM     | (Independent Director)                                           |
| Mr Patrick Goodman     | (Non-Executive Director)                                         |
| Mr John Harkness       | (Independent Director)                                           |
| Mr James Hodgkinson    | (Non-Executive Director)                                         |
| Ms Anne Keating        | (Independent Director)                                           |
| Mr James Sloman, OAM   | (Independent Director)                                           |
| Mr Stephen Girdis      | (Alternate Director to Messrs David Clarke and James Hodgkinson) |

## Company Secretary

Mr Carl Bicego

## Security Registrar

### Computershare Investor Services Pty Limited

Level 5  
115 Grenfell Street  
Adelaide SA 5000

GPO Box 1903  
Adelaide SA 5001

Telephone 1300 723 040 (within Australia)  
+61 3 9415 4000 (outside Australia)

Facsimile +61 8 8236 2305

Email [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Website [www.computershare.com](http://www.computershare.com)

## Custodians

### Trust Company Limited

35 Clarence Street  
Sydney NSW 2000

### Perpetual Trustee Company Limited

123 Pitt Street  
Sydney NSW 2000

## Auditor

### KPMG

10 Shelley Street  
Sydney NSW 2000

## ASX code

GMG

To accommodate the adoption of the Australian equivalents to International Financial Reporting Standards (AIFRS) and ensure the Annual Report is not too voluminous, the property portfolio summary and related information are now contained in a separate electronic document available at [www.goodmanintl.com](http://www.goodmanintl.com) in the GMG Investor Centre or by calling us on 1300 791 100 (within Australia) or +61 2 9230 7400 (outside Australia).

For personal use only

This Annual Report for the year ended 30 June 2007 has been prepared by Goodman Group (Goodman International Limited ABN 69 000 123 071) and its controlled entities, including Goodman Funds Management Limited (AFSL 223621; ABN 48 067 796 641) and Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities. The details in this Annual Report provide general information only. It is not intended as investment or financial advice and must not be relied upon as such. You should obtain independent professional advice prior to making any decision relating to your financial needs. This Annual Report is not an offer or invitation for subscription or purchase of securities or other financial products. Past performance is no indication of future performance. All values are expressed in Australian currency unless otherwise stated. September 2007.

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robust+sustainable+established+  
fresh+pioneering+diverse+focus+  
customers+flexible+visionary+  
partners+strategic+building+  
relationships+expertise+global+local+  
assets+property+space+people+service+  
value+expansion+scale+efficient+  
prudent+engaged+committed+  
**goodman=growth**



Financial Report

Goodman Industrial Trust (ARSN 091 213 839)  
(formerly Macquarie Goodman Industrial Trust)  
and its controlled entities

Financial Report for the year ended 30 June 2007

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Directors’ Report  
Goodman Industrial Trust  
(formerly Macquarie Goodman Industrial Trust)  
and its controlled entities

The Directors of Goodman Funds Management Limited (“GFM”) (formerly Macquarie Goodman Funds Management Limited) (“Responsible Entity”), the Responsible Entity for Goodman Industrial Trust (“GIT”, “Trust” or “Parent Entity”), present their Directors’ Report together with the Financial Report of Goodman Industrial Trust and the entities it controlled (“Consolidated Entity”) at the end of, or during, the year ended 30 June 2007 (“year”) and the audit report thereon.

Goodman Industrial Trust is a controlled entity of Goodman International Limited (formerly Macquarie Goodman Management Limited). GIT’s units are stapled to shares in Goodman International Limited and trade on the Australian Securities Exchange (“ASX”) as Goodman Group (“Goodman” or “GMG”).

Directors

| The Directors at any time during or since the end of the year are:                  | Appointment date |
|-------------------------------------------------------------------------------------|------------------|
| Mr David S. Clarke, AO (Chairman)                                                   | 26 October 2000  |
| Dr David Teplitzky (Independent Deputy Chairman)                                    | 23 February 2005 |
| Mr Gregory Goodman (Group Chief Executive Officer)                                  | 17 January 1995  |
| Mr Ian Ferrier, AM (Independent Director)                                           | 23 February 2005 |
| Mr Patrick Goodman (Non-Executive Director)                                         | 23 February 2005 |
| Mr John Harkness (Independent Director)                                             | 1 September 2004 |
| Mr James Hodgkinson (Non-Executive Director)                                        | 21 February 2003 |
| Ms Anne Keating (Independent Director)                                              | 6 February 2004  |
| Mr James Sloman, OAM (Independent Director)                                         | 1 February 2006  |
| Mr Stephen Girdis (Alternate Director for Messrs David Clarke and James Hodgkinson) | 14 June 2005     |

Company Secretary

| The Company Secretaries at any time during or since the end of the year are: | Appointment/resignation date |
|------------------------------------------------------------------------------|------------------------------|
| Mr Carl Bicego                                                               | Appointed 24 October 2006    |
| Ms Carolyn Scobie                                                            | Resigned 24 October 2006     |
| Mr Mark Alley                                                                | Resigned 12 October 2006     |

Details of the Company Secretary’s qualifications and experience are set out at the end of this Directors’ Report.

# Directors’ Report (continued)

## Directors’ meetings

The number of Directors’ meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of GFM during the year are:

| Director                      | Board meetings      |          | Audit Committee meetings |          | Remuneration and Nomination Committee meetings |          | Risk and Compliance Committee meetings |          | Investment Committee meetings <sup>(2)</sup> |          |
|-------------------------------|---------------------|----------|--------------------------|----------|------------------------------------------------|----------|----------------------------------------|----------|----------------------------------------------|----------|
|                               | Held <sup>(1)</sup> | Attended | Held <sup>(1)</sup>      | Attended | Held <sup>(1)</sup>                            | Attended | Held <sup>(1),(3)</sup>                | Attended | Held <sup>(1)</sup>                          | Attended |
| Mr David Clarke               | 13                  | 13       |                          |          | 3                                              | 3        |                                        |          |                                              |          |
| Dr David Teplitzky            | 13                  | 13       | 5                        | 4        | 3                                              | 2        |                                        |          |                                              |          |
| Mr Gregory Goodman            | 13                  | 13       |                          |          | 3                                              | 3        |                                        |          |                                              |          |
| Mr Ian Ferrier                | 13                  | 12       | 5                        | 5        | 3                                              | 3        |                                        |          | 1                                            | 1        |
| Mr Patrick Goodman            | 13                  | 13       |                          |          |                                                |          | 3                                      | 3        |                                              |          |
| Mr John Harkness              | 13                  | 12       |                          |          |                                                |          | 3                                      | 3        |                                              |          |
| Mr James Hodgkinson           | 13                  | 13       | 5                        | 5        |                                                |          |                                        |          |                                              |          |
| Ms Anne Keating               | 13                  | 13       |                          |          | 3                                              | 3        |                                        |          |                                              |          |
| Mr James Sloman               | 13                  | 13       |                          |          |                                                |          | 3                                      | 3        | 1                                            | 1        |
| Mr Stephen Girdis (Alternate) |                     |          |                          |          |                                                |          |                                        |          |                                              |          |

- <sup>(1)</sup> Reflects the number of meetings individuals were entitled to attend.
- <sup>(2)</sup> The Investment Committee, a Committee of the Board for the purposes of considering identified transactional matters up to defined delegated limits, was established on 9 May 2007.
- <sup>(3)</sup> An additional formal briefing of the Committee occurred during the year. The attendees of this briefing were Mr John Harkness and Mr James Sloman.
- Directors absented themselves from meetings where they had a personal interest in the matters being discussed.

## Principal activities

The principal activity of the Consolidated Entity during the year was investment in directly and indirectly held industrial property. There were no significant changes to the nature of the Consolidated Entity’s activities during the year.

## Distributions

The total distribution declared during the year was 31.5 cents per unit (2006: 27.5 cents per unit). Further details of distributions paid or declared during the year are set out in note 5 to the financial statements.

## Review of operations

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

|                                                           | Consolidated |          |
|-----------------------------------------------------------|--------------|----------|
|                                                           | 2007 \$M     | 2006 \$M |
| Gross property income                                     | 374.4        | 378.2    |
| Profit attributable to unitholders of GIT (“Unitholders”) | 626.1        | 453.0    |

## Value of assets

|                          | Consolidated |          |
|--------------------------|--------------|----------|
|                          | 2007 \$M     | 2006 \$M |
| Carrying value of assets | 8,521.2      | 5,561.9  |

The basis for valuation of assets is disclosed in note 1 to the financial statements.

## Issued capital

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

|                                             | Consolidated |         |
|---------------------------------------------|--------------|---------|
|                                             | 2007 M       | 2006 M  |
| Units on issue at the beginning of the year | 1,608.9      | 1,405.0 |
| Units issued during the year                | 83.8         | 203.9   |
| Units on issue at the end of the year       | 1,692.7      | 1,608.9 |

## State of affairs

### (a) Launch of Goodman European Logistics Fund (“GELF”)

On 20 December 2006, the Consolidated Entity launched the GELF (formerly Arlington European Logistics Fund) consisting of 12 logistics properties located throughout continental Europe’s major logistics markets. GMG provides funds management, property management and other services to GELF.

Except for the changes outlined above, in the opinion of the Directors, there were no significant changes in the state of affairs of GIT during the year.

## Strategy and outlook

Looking forward, the Consolidated Entity will continue to strengthen its presence in Australia, New Zealand, Asia and Europe. The focus for these regions is on growing third party funds management businesses and pursuing yield-accretive properties that are well located and provide stability through the diversification of the Consolidated Entity’s customer base and asset and geographic mix.

Likely developments in the near future include seeding a logistics fund in the United Kingdom in the first half of 2008 with a view to expanding the Consolidated Entity’s third party funds management operations.

Further information as to other likely developments in the operations of the Consolidated Entity and the expected results of those operations in future years have not been included in the Financial Report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

## Interests of Responsible Entity

The Responsible Entity, GFM, did not hold any units either directly or indirectly in the Consolidated Entity at any time during the year and up to the date of the Financial Report.

# Directors’ Report (continued)

## Indemnification and insurance of officers and auditors

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

## Fees paid to and interests held by related entities and Directors

Fees were paid or are payable to the Goodman Group, Macquarie Bank Limited (“MBL”) and their associated entities for services provided during the year. Details of these fees and the interests of the Responsible Entity, Directors and other related party information are set out in note 20 to the financial statements.

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

The lead auditor’s independence declaration is set out on page 7 and forms part of the Directors’ Report for the year.

## Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of Australia, those obligations are identified and appropriately addressed.

The Directors have determined that there has not been any material breach of those obligations during the financial year.

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

### Board of Directors

**Mr David S. Clarke, AO – Chairman**  
**Appointed 26 October 2000**

David has been Chairman of Macquarie Bank Limited since 1 April 2007. He was previously Executive Chairman of Macquarie Bank from its formation in 1985 until 31 March 2007. From 1971 to 1977, he was Joint Managing Director of Hill Samuel Australia Limited (predecessor to Macquarie Bank Limited), from 1977 to 1984 Managing Director and from 1984 Executive Chairman. He is also Chairman of McGuigan Simeon Wines Limited (since 27 November 1991), Pooles Rock Wines Pty Limited (since 1 May 1970), the Wine Committee of the Royal Agricultural Society of NSW, the Opera Australia Capital Fund, the Sydney University Football Club Foundation and the George Gregan Foundation. He is a member of the Investment Advisory Committee of the Australian Olympic Foundation, a member of the Harvard Business School Asia Advisory Board, a member of the Seoul International Business Advisory Council and a member of the Bloomberg Asia Pacific Advisory Committee. He is also a member of Council of the Royal Agricultural Society of NSW and an honorary life member of the Financial Markets Foundation for Children. He is a member of the Corporate Governance Committee of the Australian Institute of Company Directors, Vice President of the Sydney University Cricket Club and a Director of The Clayton Utz Foundation. He was previously Chairman of Macquarie ProLogis Management Limited (from 26 June 2002 until 31 March 2007), Macquarie Office Management Limited (from 30 June 1987 until 31 March 2007) and Macquarie CountryWide Management Limited (from 22 June 1995 until 31 March 2007), the management companies of Macquarie ProLogis Trust, Macquarie Office Trust and Macquarie CountryWide Trust respectively. Additionally, he was Chairman of the Sydney and Territorial Advisory Board of the Salvation Army (from 1999 until 2006), the Australian Rugby Union (from 1998 until 2001) and a member of the Board of Directors of the International Rugby Board (from 1998 until 2001).

**Dr David Teplitzky – Independent Deputy Chairman**  
**Appointed 23 February 2005**

David has a PhD and honours degree in Engineering and a Bachelor of Science. He is a retired Regional Director of American Cyanamid Company and the former Managing Director of Cyanamid Australia, Formica Australia Limited and Lederle Pharmaceuticals Limited. David is a member of both the Group’s Audit and Remuneration and Nomination Committees. He is Chairman of the Board of a US-based computer memory research company Symetrix Corporation and a director of the listed company, HiTec Energy Limited (since 18 March 2002). David has been active for many years in venture capital and high-technology companies in Australia and South East Asia as a consultant and director.

**Mr Gregory Goodman – Group Chief Executive Officer**  
**Appointed 17 January 1995**

Gregory is the Group Chief Executive Officer of Goodman and is responsible for its overall operations and the implementation of the strategic plan. He has 25 years of experience in the property industry with significant expertise in the industrial property arena. Gregory was a co-founder of Goodman and has played an integral role in establishing its specialist position in the market-place through various corporate transactions, including takeovers, mergers and acquisitions. He is a director of Ascendas-MGM Funds Management Limited, Goodman (NZ) Limited, Macquarie Goodman Hong Kong Logistics Fund and J-REP.

**Mr Ian Ferrier, AM – Independent Director**  
**Appointed 23 February 2005**

Ian is a co-founder of Ferrier Hodgson. He is a Fellow of The Institute of Chartered Accountants in Australia and has 42 years of experience in company corporate recovery and turnaround practice. Ian is also a director of a number of private and public companies. He is currently Chairman of InvoCare Limited (since 8 March 2001), Australian Oil Limited (since 2 May 2005) and EnergyOne Limited (since 15 January 2007) and a director of McGuigan Simeon Wines Limited (since 20 November 1991) and Reckon Limited (since 17 August 2004). He was previously a director of MIA Group Limited (between 27 October 2003 and 30 September 2004). His experience is essentially concerned with understanding the financial and other issues confronting companies which require turnaround management, analysing those issues and implementing policies and strategies which lead to a successful rehabilitation. Ian has significant experience in property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

**Mr Patrick Goodman – Non-Executive Director**  
**Appointed 23 February 2005**

Patrick is the Managing Director of Goodman Holdings Group, which is a major investor in Goodman Group. The diversified interests of Goodman Holdings Group initially focused on direct and indirect property development and have expanded to include the management of a diverse portfolio across sectors covering aviation, food, rural, private and listed equity, infrastructure and financial services globally.

Patrick is also a director of companies involved in information technology, property investment and management both in Australasia and the United States. During his 27 year career, Patrick has had considerable public and private company experience both domestically and internationally.

**Mr John Harkness – Independent Director**  
**Appointed 1 September 2004**

John is a Fellow of The Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was a partner of KPMG for 24 years and National Executive Chairman for five years. Since retiring from KPMG in June 2000, John has held a number of non-executive director roles. He is currently Chairman of Lipa Pharmaceuticals Limited (since 17 June 2004), ICA Property Development Funds, Helmsman Capital Fund and Sydney Foundation for Medical Research. John is a director of Macquarie CountryWide Management Limited (since 18 August 2003), the management company of Macquarie CountryWide Trust and Crane Group Limited (since 1 September 2000). John is President of Northern Suburbs Rugby Football Club Limited and a member of the Territorial Headquarters and Sydney Advisory Board of the Salvation Army.

**Mr James Hodgkinson – Non-Executive Director**  
**Appointed 21 February 2003**

James is an Executive Director of Macquarie Bank Limited and Co-Head of Macquarie Bank Group’s Real Estate Capital Division. His responsibilities include Macquarie Bank’s interest in Macquarie Goodman Asia Limited Joint Venture. James was also Chief Executive Officer of Macquarie Industrial Trust for six years prior to that trust’s merger with Goodman Industrial Trust. He is a director of Ascendas-MGM Funds Management Limited, Goodman (NZ) Limited, Macquarie Goodman Hong Kong Logistics Fund and J-REP. James has previously been an alternate director of Macquarie CountryWide Management Limited (from 9 May 2001 to 17 November 2004), Macquarie Leisure Management Limited (from 16 May 2001 to 26 November 2004), Macquarie DDR Management Limited (from 8 October 2003 to 18 March 2005 and as a director from 19 August 2002 to 10 October 2003) and Macquarie ProLogis Management Limited (from 24 May 2002 to 9 June 2006), the management companies of Macquarie CountryWide Trust, Macquarie Leisure Trust, Macquarie DDR Trust and Macquarie ProLogis Trust respectively. He has a Bachelor of Economics, is a Certified Practicing Accountant and is a Fellow of the Australian Property Institute. James has over 20 years of experience in property funds management, investment banking and chartered accounting.

**Ms Anne Keating – Independent Director**  
**Appointed 23 February 2005**

Anne was the General Manager, Australia for United Airlines from 1993 to 2001. She was previously a director of Insurance Australia Group Limited (between 19 June 2000 and 10 November 2004 and prior to the demutualisation of NRMA, a director of NRMS Insurance Limited for four years). Anne is now a professional director with board positions in a range of industries including advertising, property, construction and banking. She is on the boards of Macquarie Leisure Management Limited (since 30 March 1998) and Macquarie Leisure Operations Limited (since 28 April 2003) being the management companies of Macquarie Leisure Trust Group, STW Communications Group Limited (since 17 May 1995) and Spencer Street Station Redevelopment Holdings Limited. Anne is also a member of the Advisory Council of ABN AMRO Australia and New Zealand and Governor of the Cerebral Palsy Foundation.

Directors’ Report (continued)

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

Board of Directors (continued)

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

James has over 30 years of experience in the building and construction industries in Australia and overseas, including experience with Sir Robert McAlpine & Sons in London and Lend Lease Corporation in Australia and as Deputy Chief Executive and Chief Operating Officer of the Sydney Organising Committee for the Olympic Games (“SOCOG”) from 1997 to 2001. He is currently the Chief Executive Officer and a director of MI Associates Pty Limited, a company established by him and comprising some of the leading members of the former SOCOG senior management team. MI Associates is working as advisors to the organisers of the London Olympic Games following its work on London’s winning bid for the 2012 Olympic Games. With his range of experience, James brings significant expertise to Goodman.

Mr Stephen Girdis – Alternate Director for Messrs David Clarke and James Hodgkinson  
Appointed 14 June 2005

Stephen is an Executive Director of Macquarie Bank Limited and the Global Head Macquarie Real Estate. He is a director of Macquarie DDR Management Limited (since 18 March 2005 and previously as an alternate director between 8 October 2003 and 18 March 2005) and Macquarie ProLogis Management Limited (since 21 March 2005 and an alternate director between 24 May 2002 and 21 March 2005), the management companies of Macquarie DDR Trust and Macquarie ProLogis Trust. Stephen was previously a director of Macquarie Leisure Management Limited (between 7 August 2003 and 18 May 2005), and an alternate director of Macquarie CountryWide Management Limited (between 16 August 1999 and 16 June 2005) and Macquarie Office Management Limited (between 16 August 1999 and 1 June 2005), the management companies of Macquarie Leisure Trust, Macquarie CountryWide Trust and Macquarie Office Trust respectively. He is currently Chairman of the Macquarie MEAG Prime REIT and is also a director of M3 Capital Partners LLC, Macquarie’s global real estate investment banking joint venture. He has over 25 years experience in chartered accounting, property finance, funds management and investment banking and is an associate of The Institute of Chartered Accountants in Australia and a fellow of the Financial Services Institute of Australasia. Stephen has a Bachelor of Commerce from the University of New South Wales.

Company Secretary

Mr Carl Bicego – Company Secretary

Carl is the Company Secretary of Goodman Group and its Australian subsidiaries as well as Legal Counsel – Head of Corporate in Australia. Carl has 10 years of legal experience in corporate law and joined the Goodman Group from law firm Allens Arthur Robinson in 2006. Carl holds a Masters of Laws and Bachelor of Economics/Bachelor of Laws (Hons). He is an affiliate of Chartered Secretaries Australia.

Events subsequent to balance date

On 2 July 2007, Macquarie Goodman Management Limited changed its name to Goodman International Limited and Macquarie Goodman Industrial Trust changed its name to Goodman Industrial Trust. The names of certain controlled entities and managed funds have been amended. Refer to note 10 to the financial statements for details of these changes.

Subsequent to 30 June 2007 and up to the date of this report, the Consolidated Entity:

- contracted to sell properties with carrying value of \$449.0 million to Goodman Australia Industrial Fund (“GAIF”);
- invested a further \$270.7 million into ING Industrial Fund; and
- invested a further \$245.2 million in Arlington Business Park Partnership (“ABPP”) and \$73.6 million in GAIF.

In the opinion of the Directors, there were no other events subsequent to balance date and up to the date of this report which would require adjustment or disclosure in the Financial Report.

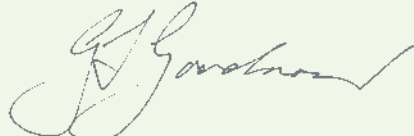
Rounding

The Consolidated Entity applied the requirements of Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the Financial Report and the Directors’ Report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The Directors’ Report is made in accordance with a resolution of the Directors.



David S. Clarke, AO  
Chairman  
Sydney, 16 August 2007



Gregory Goodman  
Director

Lead Auditor’s Independence Declaration  
Under section 307C of the Corporations Act 2001



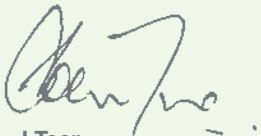
To: The Directors of Goodman Funds Management Limited as Responsible Entity for Goodman Industrial Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2007, there have been:

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



KPMG



J Teer

Partner

Sydney, 16 August 2007

# Income Statements

For the year ended 30 June 2007

|                                                               | Note | Consolidated |             | Parent Entity |             |
|---------------------------------------------------------------|------|--------------|-------------|---------------|-------------|
|                                                               |      | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Revenue and Other Income                                      |      |              |             |               |             |
| Gross property income                                         |      | 374.4        | 378.2       | —             | —           |
| Net gain from fair value adjustments on investment properties |      | 66.3         | 125.8       | —             | —           |
| Net gain on disposal of investment properties                 | 4    | 52.3         | 36.4        | —             | —           |
| Net gain on disposal of controlled entities                   | 4    | 114.0        | —           | —             | —           |
| Share of net results of associates and joint ventures         | 9    | 97.3         | 26.8        | —             | —           |
| Net gain on disposal of equity investments                    | 4    | 4.9          | 1.0         | 7.3           | 5.0         |
| Distributions from investments                                |      | 4.6          | —           | 21.7          | —           |
| Distributions from controlled entities                        |      | —            | —           | 511.6         | 321.8       |
| Total revenue and other income                                |      | 713.8        | 568.2       | 540.6         | 326.8       |
| Expenses                                                      |      |              |             |               |             |
| Property expenses                                             |      | (77.3)       | (69.2)      | —             | —           |
| Trust expenses                                                |      | (5.2)        | (4.3)       | (3.2)         | (2.3)       |
| Management fee                                                |      | (1.4)        | (0.9)       | (1.3)         | (0.3)       |
| Total expenses                                                |      | (83.9)       | (74.4)      | (4.5)         | (2.6)       |
| Financing Costs                                               |      |              |             |               |             |
| Financial income                                              |      | 107.9        | 43.6        | 136.6         | 130.1       |
| Financial expenses                                            |      | (111.7)      | (84.4)      | (98.3)        | (101.5)     |
| Net financing (costs)/income                                  |      | (3.8)        | (40.8)      | 38.3          | 28.6        |
| Profit attributable to Unitholders                            |      | 626.1        | 453.0       | 574.4         | 352.8       |

The Income Statements are to be read in conjunction with the accompanying notes.

# Balance Sheets

As at 30 June 2007

|                                                   |      | Consolidated |             | Parent Entity |             |
|---------------------------------------------------|------|--------------|-------------|---------------|-------------|
|                                                   | Note | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Current Assets                                    |      |              |             |               |             |
| Cash                                              |      | 41.5         | 14.1        | 8.3           | 9.6         |
| Receivables                                       | 6    | 470.7        | 146.5       | 35.6          | 14.8        |
| Inventories                                       |      | –            | 10.5        | –             | –           |
| Other assets                                      | 7    | 32.9         | 14.5        | 2.1           | 3.6         |
| Total current assets                              |      | 545.1        | 185.6       | 46.0          | 28.0        |
| Non-current Assets                                |      |              |             |               |             |
| Receivables                                       | 6    | 2,470.7      | 932.4       | 3,913.6       | 3,088.3     |
| Investment properties                             | 8    | 4,531.6      | 4,009.1     | –             | –           |
| Investments accounted for using the equity method | 9    | 864.3        | 434.8       | –             | –           |
| Other financial assets                            | 10   | 109.5        | –           | 2,634.3       | 2,331.4     |
| Total non-current assets                          |      | 7,976.1      | 5,376.3     | 6,547.9       | 5,419.7     |
| Total assets                                      |      | 8,521.2      | 5,561.9     | 6,593.9       | 5,447.7     |
| Current Liabilities                               |      |              |             |               |             |
| Deferred income                                   |      | 2.4          | 2.4         | 2.4           | 1.2         |
| Payables                                          | 11   | 107.5        | 60.8        | 6.7           | 12.7        |
| Interest bearing liabilities                      | 12   | 2,194.8      | 644.8       | 599.3         | 603.0       |
| Provisions for distributions                      | 5    | 133.3        | 110.6       | 133.3         | 110.6       |
| Total current liabilities                         |      | 2,438.0      | 818.6       | 741.7         | 727.5       |
| Non-current Liabilities                           |      |              |             |               |             |
| Deferred income                                   |      | 4.2          | 5.3         | 4.2           | 5.4         |
| Payables                                          | 11   | 12.2         | –           | 1,290.5       | –           |
| Interest bearing liabilities                      | 12   | 1,535.4      | 828.4       | –             | 805.2       |
| Total non-current liabilities                     |      | 1,551.8      | 833.7       | 1,294.7       | 810.6       |
| Total liabilities                                 |      | 3,989.8      | 1,652.3     | 2,036.4       | 1,538.1     |
| Net assets                                        |      | 4,531.4      | 3,909.6     | 4,557.5       | 3,909.6     |
| Equity                                            |      |              |             |               |             |
| Issued capital                                    | 13   | 4,211.0      | 3,729.0     | 4,211.0       | 3,729.0     |
| Reserves                                          | 14   | 252.5        | 107.4       | 256.9         | 134.6       |
| Retained earnings                                 | 15   | 67.9         | 73.2        | 89.6          | 46.0        |
| Total equity                                      |      | 4,531.4      | 3,909.6     | 4,557.5       | 3,909.6     |

The Balance Sheets are to be read in conjunction with the accompanying notes.

# Statements of Changes in Equity

For the year ended 30 June 2007

|                                                                                      | Note | Consolidated   |                | Parent Entity  |                |
|--------------------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
|                                                                                      |      | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M    | 2006<br>\$M    |
| <b>Total equity at the beginning of the year</b>                                     |      | <b>3,909.6</b> | <b>2,978.1</b> | <b>3,909.6</b> | <b>2,927.1</b> |
| <b>Profit for the Year</b>                                                           |      |                |                |                |                |
| Profit attributable to Unitholders                                                   |      | 626.1          | 453.0          | 574.4          | 352.8          |
| <b>Total recognised income and expenses for the year</b>                             |      | <b>626.1</b>   | <b>453.0</b>   | <b>574.4</b>   | <b>352.8</b>   |
| <b>Transactions with Unitholders in their Capacity as Unitholders</b>                |      |                |                |                |                |
| Distributions provided for or paid to Unitholders                                    | 5    | (524.4)        | (409.6)        | (524.4)        | (409.6)        |
| Change in accounting policy:                                                         |      |                |                |                |                |
| – Amortisation of deferred finance costs relating to RePS                            |      | –              | (0.9)          | –              | –              |
| <b>Total transactions and adjustments recognised directly in equity</b>              |      | <b>(524.4)</b> | <b>(410.5)</b> | <b>(524.4)</b> | <b>(409.6)</b> |
| <b>Issued Capital</b>                                                                |      |                |                |                |                |
| Increase due to Distribution Reinvestment Plan                                       |      | 259.1          | 328.3          | 259.1          | 328.3          |
| Increase due to units issued                                                         |      | 223.1          | 590.4          | 223.1          | 590.4          |
| Issue costs                                                                          |      | (0.2)          | (5.4)          | (0.2)          | (5.4)          |
| Change in accounting policy:                                                         |      |                |                |                |                |
| – Reclassification of RePS from equity to debt at 1 July 2005                        |      | –              | (51.0)         | –              | –              |
|                                                                                      | 13   | <b>482.0</b>   | <b>862.3</b>   | <b>482.0</b>   | <b>913.3</b>   |
| <b>Movements in Reserves</b>                                                         |      |                |                |                |                |
| Net change in fair value of cash flow hedges                                         |      | 43.5           | 31.6           | (7.4)          | 31.6           |
| Change in accounting policy:                                                         |      |                |                |                |                |
| – Fair value of interest rate swap derivatives recognised in reserves at 1 July 2005 |      | –              | (22.7)         | –              | (22.7)         |
| <b>Total net change in fair value of cash flow hedges</b>                            |      | <b>43.5</b>    | <b>8.9</b>     | <b>(7.4)</b>   | <b>8.9</b>     |
| Revaluation of controlled entities                                                   |      | –              | –              | 123.3          | 118.6          |
| Revaluation of other financial assets                                                |      | (7.2)          | –              | –              | –              |
| Foreign currency translation differences for foreign operations                      |      | 0.8            | (1.5)          | –              | –              |
| Change in cash flow hedge reserve                                                    |      | 1.0            | (1.5)          | –              | (1.5)          |
| Decrease in RePS repurchase reserve                                                  |      | –              | 20.8           | –              | –              |
| <b>Net gain recognised directly in equity</b>                                        |      | <b>38.1</b>    | <b>26.7</b>    | <b>115.9</b>   | <b>126.0</b>   |
| <b>Total equity at the end of the year</b>                                           |      | <b>4,531.4</b> | <b>3,909.6</b> | <b>4,557.5</b> | <b>3,909.6</b> |

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

# Cash Flow Statements

For the year ended 30 June 2007

|                                                                                 | Note  | Consolidated     |                  | Parent Entity  |                |
|---------------------------------------------------------------------------------|-------|------------------|------------------|----------------|----------------|
|                                                                                 |       | 2007<br>\$M      | 2006<br>\$M      | 2007<br>\$M    | 2006<br>\$M    |
| <b>Cash Flows from Operating Activities</b>                                     |       |                  |                  |                |                |
| Property income received                                                        |       | 410.6            | 413.4            | –              | –              |
| Property expenses paid                                                          |       | (66.1)           | (77.8)           | –              | –              |
| Trust expenses paid (including GST paid)                                        |       | (46.9)           | (4.7)            | (9.3)          | (5.3)          |
| Management fee paid                                                             |       | (1.4)            | (0.9)            | (1.3)          | (0.3)          |
| Distributions received from associated entities                                 |       | 42.2             | 11.0             | 14.5           | 5.3            |
| Interest and other finance costs paid                                           |       | (71.7)           | (86.4)           | (52.7)         | (113.0)        |
| Interest received                                                               |       | 108.0            | 33.4             | 55.1           | 128.8          |
| Distributions received from controlled entities                                 |       | –                | –                | 511.6          | 321.8          |
| <b>Net cash provided by operating activities</b>                                | 18(b) | <b>374.7</b>     | <b>288.0</b>     | <b>517.9</b>   | <b>337.3</b>   |
| <b>Cash Flows from Investing Activities</b>                                     |       |                  |                  |                |                |
| Proceeds from sale of investment properties                                     |       | 516.5            | 475.7            | –              | –              |
| Acquisition of controlled entities (net of cash acquired)                       |       | (247.6)          | (67.4)           | –              | –              |
| Proceeds from sale of investments in controlled entities (net of cash disposed) |       | 279.1            | 542.7            | 39.5           | 351.3          |
| Proceeds from sale of investments in associates                                 |       | 54.3             | –                | –              | –              |
| Payments for equity investments                                                 |       | (677.9)          | (228.6)          | (199.7)        | –              |
| Payments for investment properties                                              |       | (1,031.0)        | (1,261.8)        | –              | –              |
| Loans to related parties                                                        |       | (1,619.6)        | (600.5)          | (561.4)        | (600.5)        |
| Loans to controlled entities                                                    |       | –                | –                | (208.3)        | (545.0)        |
| <b>Net cash used in investing activities</b>                                    |       | <b>(2,726.2)</b> | <b>(1,139.9)</b> | <b>(929.9)</b> | <b>(794.2)</b> |
| <b>Cash Flows from Financing Activities</b>                                     |       |                  |                  |                |                |
| Proceeds from issue of units                                                    |       | 189.7            | 386.2            | 189.7          | 386.2          |
| Issue costs paid                                                                |       | (0.2)            | (5.5)            | (0.2)          | (5.5)          |
| Proceeds from borrowings                                                        |       | 5,815.7          | 2,831.1          | 2,301.4        | 2,082.5        |
| Repayment of borrowings                                                         |       | (3,383.7)        | (2,260.2)        | (1,837.6)      | (1,907.5)      |
| Distributions paid                                                              |       | (242.6)          | (90.3)           | (242.6)        | (90.3)         |
| <b>Net cash provided by financing activities</b>                                |       | <b>2,378.9</b>   | <b>861.3</b>     | <b>410.7</b>   | <b>465.4</b>   |
| <b>Net increase/(decrease) in cash held</b>                                     |       | <b>27.4</b>      | <b>9.4</b>       | <b>(1.3)</b>   | <b>8.5</b>     |
| Cash at the beginning of the year                                               |       | 14.1             | 4.7              | 9.6            | 1.1            |
| <b>Cash at the end of the year</b>                                              | 18(a) | <b>41.5</b>      | <b>14.1</b>      | <b>8.3</b>     | <b>9.6</b>     |

Non-cash financing and investing activities are included in note 18(c).

The Cash Flow Statements are to be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 1 Statement of significant accounting policies

Goodman Industrial Trust (“GIT”) is established in Australia. The consolidated Financial Report of GIT for the year ended 30 June 2007 (“year”) comprises GIT and its controlled entities (“Consolidated Entity”) and the Consolidated Entity’s interest in associates and joint ventures.

#### Statement of compliance

This Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. International Financial Reporting Standards (“IFRS”) form the basis of Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”).

The consolidated Financial Report is presented in Australian dollars and was authorised for issue by the Directors on 16 August 2007.

The significant accounting policies which have been adopted in the preparation of the Financial Report are set out below.

#### (a) Basis of preparation of the Financial Report

The Financial Report is prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: investment properties, derivative financial instruments, and financial instruments classified as available-for-sale, which are measured at fair value.

#### (b) Principles of consolidation

##### Controlled Entities

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Parent Entity as at 30 June 2007 and the results of all such entities for the year ended 30 June 2007. GIT and its controlled entities together are referred to in the Financial Report as the Consolidated Entity.

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

##### Associates

Associates are those entities over which the Consolidated Entity exercises significant influence, but not control and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using the equity method. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Under this method, the Consolidated Entity’s share of post-acquisition profits or losses of associates is recognised in the consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. Cumulative post-acquisition movements in both profit or loss and reserves are adjusted against the cost of the investment.

##### Joint Ventures

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

##### *Joint Venture Entities*

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

The Consolidated Entity’s share of the joint venture entity’s net profit or loss is recognised in the consolidated Income Statements from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

##### *Joint Venture Operations*

The Consolidated Entity’s interests in joint venture operations are brought to account by including its proportionate share of joint venture operations’ assets, liabilities and expenses and the Consolidated Entity’s revenue from the sale of its share of output on a line-by-line basis from the date joint control commences to the date joint control ceases.

##### Transactions Eliminated on Consolidation

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

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

#### (c) Revenue recognition

##### Rental Income

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 as a reduction of gross operating lease rental income.

##### Loan Facilities

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

##### Asset Sales

Revenue from the disposal of an investment property is recognised when contracts for the sale have been unconditionally exchanged and the risks and rewards of ownership have been transferred.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. The balance of unrealised gains for the individual properties at the time of their disposal is transferred to the capital profits reserve.

##### Recoverable Outgoings

Recovery of certain outgoings is accrued on an estimated basis and adjusted when the actual amounts are invoiced to respective customers.

##### Financial Income

##### *Interest*

Interest is brought to account on an accruals basis and, if not received at balance date, is reflected in the Balance Sheet as a receivable.

##### *Dividends and Distributions*

Dividend and distribution income is recognised net of any franking credits and before deduction of any withholding tax.

Dividend income is recognised when a dividend has been declared and, if not received at balance date, is reflected in the Balance Sheet as a receivable.

Distributions are recognised when they are declared by the distributing entities.

#### (d) Foreign currency translation

##### Functional and Presentation Currency

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

##### Transactions

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

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

##### Translation of Controlled Foreign Operations

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

Revenue and expenses are translated at weighted average rates for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal or partial disposal of the operations. Fair value adjustments arising on the acquisition of foreign entities are treated as assets of the foreign entities and translated at the closing rate.

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

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 1 Statement of significant accounting policies (continued)

#### Exchange Rates Used

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

|                         | Weighted average |        | As at 30 June |        |
|-------------------------|------------------|--------|---------------|--------|
|                         | 2007             | 2006   | 2007          | 2006   |
| Singapore dollar        | 1.2165           | 1.2317 | 1.2879        | 1.1782 |
| New Zealand dollar      | 1.1475           | 1.1166 | 1.1045        | 1.1900 |
| Hong Kong dollar        | 6.1262           | 5.8044 | 6.5438        | 5.7261 |
| United States dollar    | 0.7857           | 0.7479 | 0.8474        | 0.7427 |
| British pounds sterling | 0.4065           | 0.4210 | 0.4241        | 0.4009 |
| European euro           | 0.6016           | 0.5849 | 0.6293        | 0.5873 |
| Japanese yen            | 93.0993          | N/A    | 104.5500      | N/A    |

#### (e) Investment properties

Investment properties comprise investment interests in land and buildings held for the purpose of letting to produce rental income. 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 Financial Report.

Investment property carrying values include the cost of acquiring the property. 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.

Amounts provided to customers as lease incentives and assets relating to fixed increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the lease term 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 lease term in proportion to the rental income recognised in each financial year.

#### Revaluations of Investment Properties

An independent valuation of investment properties is obtained at least every three years to use as a basis for measuring the fair value of the properties.

An independent registered valuer determines 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 that the property is reasonably exposed to the market.

At reporting dates occurring between obtaining independent valuations, the Directors review the carrying value of the Consolidated Entity's investment properties to be satisfied that, in their opinion, the carrying value of the investment properties reflects the fair value of the investment properties at that date.

Changes in fair value are recognised directly in the Income Statements. The net of unrealised revaluations from investment properties is transferred to the asset revaluation reserve.

#### Disposal of Investment Properties

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 and is included in the profit or loss in the year of disposal. The balance of unrealised gains for the individual properties at the time of their disposal is transferred to the capital profits reserve.

#### Redevelopment Projects

Where a property is undergoing redevelopment works, the cost of redevelopment works is added to its previously stated fair value. The carrying amounts of redevelopment projects are reviewed to determine whether they are in excess of their recoverable amount at each reporting date. If the carrying amount of a redevelopment project exceeds its recoverable amount, the project is written down to the lower amount. The Consolidated Entity's policy is to revalue redevelopment properties to their fair value at the date of their practical completion.

#### (e) Investment properties (continued)

#### Development Costs of Investment Properties

Costs of development include the costs of all materials used in construction, costs of managing the project, holding costs and finance costs incurred during construction.

The cost of development is included within investment properties. The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the profit or loss in the reporting period in which it occurs.

The Consolidated Entity's policy is to revalue development properties to their fair value at the date of their practical completion.

#### (f) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statements on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

#### (g) Income tax

Under current Australian income tax legislation, GIT is not liable for income tax provided that each year the taxable income and any taxable capital gain derived from the sale of an asset is fully distributed to unitholders.

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

#### (h) Receivables

Trade debtors and rental debtors due within 30 days are not discounted. The collectibility of trade debtors and rental debtors is assessed at balance date. Debts which are known to be uncollectible are written off.

Construction work in progress under contract is 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.

#### (i) Inventories

Work in progress in respect of construction projects, land subdivision and development projects includes the costs of acquisition, planning, management, development, and holding costs such as rates and taxes. Work in progress is carried at the lower of cost and net realisable value.

#### (j) Depreciation

Investment properties are not depreciated. Buildings and plant integral to the property are classified as investment properties and accordingly are not depreciated. The properties are subject to continual maintenance and regularly revalued on the basis described above. Taxation allowances for building, plant and equipment depreciation are claimed by the Consolidated Entity and are declared as tax deferred components of distributions.

#### (k) Finance costs

Expenditure incurred in obtaining debt finance is offset against the principal amount of the interest bearing liability to which it relates, and recognised as an interest expense on an effective yield basis over the life of the facility. Finance costs relating to a qualifying asset are capitalised as part of the cost of that asset using a weighted average cost of debt. Qualifying assets are assets which take a substantial time to get ready for their intended use or sale. All other finance costs are expensed as incurred.

#### (l) Interest bearing liabilities

Bank loans are recognised on inception at their fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference being recognised in the Income Statements over the years of the borrowings on an effective yield basis, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in the Balance Sheet under current payables.

Debentures and notes payable are recognised when issued at the net proceeds received with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

#### (m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received by the Consolidated Entity prior to the end of the year.

# Notes to the Financial Statements

For the year ended 30 June 2007

## Note 1 Statement of significant accounting policies (continued)

### (n) 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, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.

### Dividends and Distributions Payable

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

### (o) Hedging

Transactions are designated as a hedge of the anticipated specific purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in equity. The gain or loss relating to any ineffective portion is recognised in the profit or loss.

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

### (p) Investments in controlled entities

Investments in controlled entities are carried at fair value which is determined with reference to the net assets of the controlled entities. Revaluation increments are credited directly to an asset revaluation reserve. Revaluation decrements are taken directly to the asset revaluation reserve to the extent that such decrements are reversing amounts previously credited to that reserve that are still available in that reserve. Revaluation decrements in excess of amounts available in the reserve are charged to the profit or loss. Subsequent revaluation increments that recover amounts previously charged to the Income Statements are, to that extent, credited to the profit or loss.

### (q) Impairment

The carrying amounts of the Consolidated Entity's assets (except inventories and investment properties) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset is written down to the recoverable amount. The write-down is expensed in the reporting period in which it occurs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss, 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 profit or loss.

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 recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

### Calculation of Recoverable Amount

The recoverable amount of the Consolidated Entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie 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. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

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.

### (q) Impairment (continued)

#### Reversals of Impairment

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

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

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

Where a group of assets working together supports the generation of cash inflows, 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.

### (r) Segment reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the portion that can be allocated to the segment on a reasonable basis. Segment assets and liabilities include all assets and liabilities used by a segment which can be directly attributed to segment activity, excluding interest bearing receivables and payables, derivative financial instruments, provision for distributions to securityholders and tax assets and liabilities. Segment revenue and expenses exclude the income statements effect of these non-segment assets and liabilities.

### (s) Australian Accounting Standards issued but not yet effective

As at the date of this financial report, the following new and revised accounting standards on issue with mandatory application dates after the end of the current reporting period are available for early adoption at 30 June 2007:

- AASB 7 Financial Instruments: Disclosures (August 2005);
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005);
- AASB 8 Operating Segments;
- AASB 2007-3 Amendments to Australian Accounting Standards;
- Interpretation 10 Interim Financial Reporting and Impairment;
- Interpretation 11 AASB 2 Share-based Payment – Group and Treasury Share Transactions;
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB interpretation 11;
- Interpretation 12 Service Concession Arrangements;
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB interpretation 12; and
- AASB 2007-2 Amendments to Australian Accounting Standards.

The Consolidated Entity has not early adopted any accounting standards. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact on the type of information disclosed in relation to the Consolidated Entity's financial statements.

### (t) Rounding

In accordance with Australian Securities and Investments Commission Class Order 98/100, the amounts shown in this Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

### (u) Comparative figures

Where applicable, certain comparative figures have been restated to conform with the presentation in the current year's Financial Report.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 2 Launch of Goodman European Logistics Fund (“GELF”)

On 20 December 2006, the Consolidated Entity sold 100% of the issued share capital of Arlington Investments (Luxembourg) SARL (formerly Macquarie Goodman Investments (Luxembourg) SARL) to GELF. The principal effect of the disposal was a decrease in the investment properties of the Consolidated Entity of \$274.6 million and a decrease in interest bearing liabilities of \$255.6 million.

Up to the date of the disposal of the equity, Arlington Investments (Luxembourg) SARL had contributed \$3.3 million to the Consolidated Entity’s result for the year.

As a result of the Consolidated Entity’s shareholding in GELF, it is included as a related party.

### Note 3 Critical accounting estimates used in the preparation of the financial statements

Estimates and assumptions concerning the future are made by the Consolidated Entity. These 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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Investment property values

Investment properties are carried at their fair value. Valuations are either based on an independent valuation or on a Directors’ review of the carrying value. 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; and
- capital expenditure.

At 30 June 2007, the carrying value of completed investment properties held by the Consolidated Entity is \$3,728.7 million (2006: \$3,779.8 million).

### Note 4 Profit from ordinary activities

|                                                                                                            | Consolidated   |               | Parent Entity |                |
|------------------------------------------------------------------------------------------------------------|----------------|---------------|---------------|----------------|
|                                                                                                            | 2007<br>\$M    | 2006<br>\$M   | 2007<br>\$M   | 2006<br>\$M    |
| <b>Profit from ordinary activities has been arrived at after crediting/(charging) the following items:</b> |                |               |               |                |
| Net proceeds from the sale of investment properties                                                        | 619.7          | 544.6         | –             | –              |
| Carrying value of investment properties sold                                                               | (567.4)        | (508.2)       | –             | –              |
| <b>Net gain on disposal of investment properties</b>                                                       | <b>52.3</b>    | <b>36.4</b>   | <b>–</b>      | <b>–</b>       |
| Net proceeds from the sale of controlled entities                                                          | 290.9          | –             | –             | –              |
| Net assets sold                                                                                            | (176.9)        | –             | –             | –              |
| <b>Net gain on disposal of controlled entities</b>                                                         | <b>114.0</b>   | <b>–</b>      | <b>–</b>      | <b>–</b>       |
| Proceeds from the sale of equity investments                                                               | 143.7          | 16.2          | 39.5          | 16.2           |
| Carrying value of equity investments sold                                                                  | (138.8)        | (15.2)        | (32.2)        | (11.2)         |
| <b>Net gain on disposal of equity investments</b>                                                          | <b>4.9</b>     | <b>1.0</b>    | <b>7.3</b>    | <b>5.0</b>     |
| <b>Financial Income</b>                                                                                    |                |               |               |                |
| Interest income from:                                                                                      |                |               |               |                |
| – Related parties                                                                                          | 89.3           | 42.3          | 76.4          | 42.7           |
| – Controlled entities                                                                                      | –              | –             | 41.5          | 86.3           |
| – Other parties                                                                                            | 2.9            | 1.3           | 2.3           | 1.1            |
| Fair value gains on ineffective portion of derivatives                                                     | 9.9            | –             | 2.7           | –              |
| Foreign exchange gain                                                                                      | 5.8            | –             | 13.7          | –              |
|                                                                                                            | <b>107.9</b>   | <b>43.6</b>   | <b>136.6</b>  | <b>130.1</b>   |
| <b>Financial Expenses</b>                                                                                  |                |               |               |                |
| Bank loans and overdraft interest                                                                          | (140.0)        | (123.9)       | (90.9)        | (101.5)        |
| Interest expense – controlled entities                                                                     | –              | –             | (7.3)         | –              |
| Interest expense – related parties                                                                         | (5.5)          | –             | (0.1)         | –              |
| Capitalised borrowing costs <sup>(1)</sup>                                                                 | 33.8           | 39.5          | –             | –              |
|                                                                                                            | <b>(111.7)</b> | <b>(84.4)</b> | <b>(98.3)</b> | <b>(101.5)</b> |
| <b>Net financing (costs)/income</b>                                                                        | <b>(3.8)</b>   | <b>(40.8)</b> | <b>38.3</b>   | <b>28.6</b>    |

(1) Borrowing costs were capitalised during the year at rates between 6.95% and 8.11% (2006: 4.90% and 6.58%) per annum.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 5 Distributions

|                                                          | Distribution<br>cpu | Total amount<br>\$M | Date of<br>payment |
|----------------------------------------------------------|---------------------|---------------------|--------------------|
| <b>Distributions for the quarters ended:</b>             |                     |                     |                    |
| – 30 September 2006                                      | 7.875               | 128.9               | 9 Nov 2006         |
| – 31 December 2006                                       | 7.875               | 130.7               | 15 Feb 2007        |
| – 31 March 2007                                          | 7.875               | 131.5               | 3 May 2007         |
| – 30 June 2007                                           | 7.875               | 133.3               | 23 Aug 2007        |
|                                                          | <b>31.500</b>       | <b>524.4</b>        |                    |
| <b>Distributions for the comparative quarters ended:</b> |                     |                     |                    |
| – 30 September 2005                                      | 6.875               | 97.5                | 3 Nov 2005         |
| – 31 December 2005                                       | 6.875               | 100.0               | 7 Feb 2006         |
| – 31 March 2006                                          | 6.875               | 101.6               | 5 May 2006         |
| – 30 June 2006                                           | 6.875               | 110.6               | 23 Aug 2006        |
|                                                          | <b>27.500</b>       | <b>409.7</b>        |                    |

|                                                               | Consolidated        |                     | Parent Entity       |                     |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Movement in Provision for Distributions to Unitholders</b> | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> |
| Balance at the beginning of the year                          | 110.6               | 91.0                | 110.6               | 91.0                |
| Provision for distributions                                   | 524.4               | 409.6               | 524.4               | 409.6               |
| Payment of distributions                                      | (501.7)             | (390.0)             | (501.7)             | (390.0)             |
| <b>Balance at the end of the year</b>                         | <b>133.3</b>        | <b>110.6</b>        | <b>133.3</b>        | <b>110.6</b>        |

### Note 6 Receivables

|                                             | Consolidated        |                     | Parent Entity       |                     |
|---------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                             | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> |
| <b>Current</b>                              |                     |                     |                     |                     |
| Trade debtors                               | 9.4                 | 12.2                | 0.1                 | 0.2                 |
| Loans to related parties                    | 32.9                | –                   | 32.9                | –                   |
| Other debtors <sup>(1)</sup>                | 346.2               | 124.9               | 2.6                 | 5.2                 |
| Derivatives – at fair value                 | 82.2                | 9.4                 | –                   | 9.4                 |
|                                             | <b>470.7</b>        | <b>146.5</b>        | <b>35.6</b>         | <b>14.8</b>         |
| <b>Non-current</b>                          |                     |                     |                     |                     |
| Loans to controlled entities <sup>(2)</sup> | –                   | –                   | 2,472.9             | 2,151.1             |
| Loans to related parties <sup>(2)</sup>     | 2,470.7             | 925.0               | 1,440.7             | 929.8               |
| Derivatives – at fair value                 | –                   | 7.4                 | –                   | 7.4                 |
|                                             | <b>2,470.7</b>      | <b>932.4</b>        | <b>3,913.6</b>      | <b>3,088.3</b>      |

(1) Other debtors include \$138.6 million receivable from the disposal of investment properties (2006: \$69.2 million), and \$121.8 million receivable from the disposal of Regent Residential.

(2) Details of loans to controlled entities and loans to related parties are set out in note 20.

Receivables denominated in currencies other than Australian dollars are as follows:

| <b>Amounts in A\$M</b> | <b>NZD</b> | <b>HKD</b> | <b>SGD</b> | <b>GBP</b> | <b>EUR</b> |
|------------------------|------------|------------|------------|------------|------------|
| 2007                   | 196.7      | 18.8       | 209.8      | 892.8      | 1,390.5    |
| 2006                   | 132.5      | 11.5       | 39.1       | 453.3      | 49.5       |

### Note 7 Other assets

|                | Consolidated        |                     | Parent Entity       |                     |
|----------------|---------------------|---------------------|---------------------|---------------------|
|                | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> | <b>2007<br/>\$M</b> | <b>2006<br/>\$M</b> |
| <b>Current</b> |                     |                     |                     |                     |
| Prepayments    | 9.2                 | 14.5                | –                   | 3.6                 |
| Other          | 23.7                | –                   | 2.1                 | –                   |
|                | <b>32.9</b>         | <b>14.5</b>         | <b>2.1</b>          | <b>3.6</b>          |

Notes to the Financial Statements

For the year ended 30 June 2007

Note 8 Investment properties

|                                                   | Completed investment properties |           | Redevelopment projects |          | Investment properties under development |          | Total investment properties |           |
|---------------------------------------------------|---------------------------------|-----------|------------------------|----------|-----------------------------------------|----------|-----------------------------|-----------|
|                                                   | 2007 \$M                        | 2006 \$M  | 2007 \$M               | 2006 \$M | 2007 \$M                                | 2006 \$M | 2007 \$M                    | 2006 \$M  |
| Carrying amount at the beginning of the year      | 3,779.8                         | 4,023.2   | –                      | 188.1    | 229.3                                   | 452.0    | 4,009.1                     | 4,663.3   |
| Cost of acquisition:                              |                                 |           |                        |          |                                         |          |                             |           |
| – On acquisition of controlled entities           | 442.8                           | 56.8      | –                      | –        | 78.6                                    | –        | 521.4                       | 56.8      |
| – Other acquisitions                              | 58.0                            | 650.7     | –                      | –        | 512.2                                   | 108.4    | 570.2                       | 759.1     |
| Costs capitalised                                 | 101.6                           | 129.8     | 24.0                   | 28.0     | 378.0                                   | 259.7    | 503.6                       | 417.5     |
| Transfers in/(out)                                | 49.8                            | 626.7     | 43.8                   | (216.1)  | (93.6)                                  | (410.6)  | –                           | –         |
| Disposals:                                        |                                 |           |                        |          |                                         |          |                             |           |
| – Carrying value of properties sold               | (514.7)                         | (391.4)   | –                      | –        | (60.5)                                  | (116.8)  | (575.2)                     | (508.2)   |
| – On disposal of interests in controlled entities | (241.9)                         | (1,441.8) | –                      | –        | (297.4)                                 | (63.4)   | (539.3)                     | (1,505.2) |
| Changes in fair value <sup>(1)</sup>              | 66.3                            | 125.8     | –                      | –        | –                                       | –        | 66.3                        | 125.8     |
| Effect of foreign exchange                        | (13.0)                          | –         | –                      | –        | (11.5)                                  | –        | (24.5)                      | –         |
| Carrying amount at the end of the year            | 3,728.7                         | 3,779.8   | 67.8                   | –        | 735.1                                   | 229.3    | 4,531.6                     | 4,009.1   |

(1) Changes in fair value include \$65.9 million (2006: \$114.4 million) determined in accordance with independent valuations.

Investment properties with carrying value of \$233.3 million (2006: \$3,904.5 million) were subject to charges to secure bank loans.

Refer to note 22 for disclosure of contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

Note 9 Investments accounted for using the equity method

|                                                                                                                             | Principal activities | Country of incorporation | Share of associated entities profit recognised |          | Consolidated ownership interest |        | Consolidated carrying amount |          |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|------------------------------------------------|----------|---------------------------------|--------|------------------------------|----------|
|                                                                                                                             |                      |                          | 2007 \$M                                       | 2006 \$M | 2007 %                          | 2006 % | 2007 \$M                     | 2006 \$M |
| Highbrook Development Limited (“HDL”)                                                                                       | Property investment  | New Zealand              | 2.3                                            | 2.1      | 37.5                            | 37.5   | 34.0                         | 29.3     |
| Goodman Property Trust (“GMT”) (formerly Macquarie Goodman Property Trust)                                                  | Property investment  | New Zealand              | 18.9                                           | 11.6     | 20.9                            | 21.8   | 154.6                        | 115.0    |
| Goodman Australia Industrial Fund (“GAIF”) (formerly Macquarie Goodman Wholesale Fund)                                      | Property investment  | Australia                | 36.5                                           | 8.9      | 30.3                            | 30.0   | 407.4                        | 189.0    |
| Macquarie Goodman Hong Kong Logistics Fund (“MGLF-HK”) (formerly Macquarie Goodman Hong Kong Wholesale Fund) <sup>(1)</sup> | Property investment  | Cayman Islands           | 16.3                                           | 3.6      | 20.0                            | 16.8   | 142.8                        | 101.5    |
| MGI HK Investments (“MGIHK”)                                                                                                | Property investment  | Hong Kong                | –                                              | 0.6      | –                               | –      | –                            | –        |
| Goodman European Logistics Fund (“GELF”) (formerly Arlington European Logistics Fund)                                       | Property investment  | Luxembourg               | 5.1                                            | –        | 27.2                            | –      | 83.4                         | –        |
| Regent Residential Fund (“Regent”)                                                                                          | Property investment  | United Kingdom           | 17.5                                           | –        | –                               | –      | –                            | –        |
| Arlington UK Balanced Property Fund plc (“Balanced Fund”)                                                                   | Property investment  | Republic of Ireland      | 0.7                                            | –        | 24.4                            | –      | 42.1                         | –        |
|                                                                                                                             |                      |                          | 97.3                                           | 26.8     |                                 |        | 864.3                        | 434.8    |

(1) MGLF-HK was equity accounted in the comparative period and up to April 2007 when the Trust increased its equity interest of 20% as the Trust had undertaken to hold a minimum equity interest of 20%. This commitment allowed the Trust to include MBL’s interest in MGLF-HK in calculating the relevant interest held.

GMT and Balanced Fund are listed securities. The market values of the Consolidated Entity’s investment at 30 June 2007 using the quoted price on the last day of trading were \$179.5 million and \$41.6 million respectively.

Notes to the Financial Statements

For the year ended 30 June 2007

Note 9 Investments accounted for using the equity method (continued)

| Name          | Year ended<br>30 June | Revenue<br>and other<br>income <sup>(1)</sup><br>(100%)<br>\$M | Tax (100%)<br>\$M | Profit<br>after tax <sup>(1)</sup><br>(100%)<br>\$M | Total assets<br>(100%)<br>\$M | Total liabilities<br>(100%)<br>\$M | Net assets as<br>reported by<br>associate<br>(100%)<br>\$M |
|---------------|-----------------------|----------------------------------------------------------------|-------------------|-----------------------------------------------------|-------------------------------|------------------------------------|------------------------------------------------------------|
| HDL           | 2007                  | 7.8                                                            | (1.7)             | 6.1                                                 | 112.3                         | 20.9                               | 91.4                                                       |
|               | 2006                  | 6.5                                                            | –                 | 5.5                                                 | 84.3                          | 5.1                                | 79.2                                                       |
| GMT           | 2007                  | 140.6                                                          | (23.9)            | 90.4                                                | 1,094.9                       | 398.1                              | 696.8                                                      |
|               | 2006                  | 86.8                                                           | –                 | 58.8                                                | 827.2                         | 317.5                              | 509.7                                                      |
| GAIF          | 2007                  | 190.2                                                          | –                 | 136.4                                               | 2,082.1                       | 741.3                              | 1,340.8                                                    |
|               | 2006                  | 38.9                                                           | –                 | 30.5                                                | 1,253.3                       | 635.8                              | 617.5                                                      |
| MGLF-HK       | 2007                  | 71.0                                                           | –                 | 32.7                                                | 1,258.1                       | 544.0                              | 714.1                                                      |
|               | 2006                  | 20.9                                                           | –                 | 7.9                                                 | 877.2                         | 273.0                              | 604.2                                                      |
| MGIHK         | 2007                  | –                                                              | –                 | –                                                   | –                             | –                                  | –                                                          |
|               | 2006                  | 25.0                                                           | –                 | 1.2                                                 | –                             | –                                  | –                                                          |
| GELF          | 2007                  | 13.9                                                           | –                 | 17.0                                                | 575.4                         | 294.1                              | 281.3                                                      |
|               | 2006                  | –                                                              | –                 | –                                                   | –                             | –                                  | –                                                          |
| Regent        | 2007                  | 3.3                                                            | –                 | 40.8                                                | –                             | –                                  | –                                                          |
|               | 2006                  | –                                                              | –                 | –                                                   | –                             | –                                  | –                                                          |
| Balanced Fund | 2007                  | 6.3                                                            | –                 | 2.2                                                 | 347.3                         | 160.7                              | 186.6                                                      |
|               | 2006                  | –                                                              | –                 | –                                                   | –                             | –                                  | –                                                          |

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

|                                                    | Consolidated |              | Parent Entity |             |
|----------------------------------------------------|--------------|--------------|---------------|-------------|
|                                                    | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M |
| <b>Movements in Carrying Amount of Investments</b> |              |              |               |             |
| Carrying amount at the beginning of the year       | 434.8        | 104.7        | –             | –           |
| Share of net results after tax of associates       | 97.3         | 26.8         | –             | –           |
| Share of increment on revaluation of investments   | (0.8)        | –            | –             | –           |
| Investments in associates during the year          | 551.4        | 470.2        | –             | –           |
| Distributions received and receivable              | (37.6)       | (11.0)       | –             | –           |
| Disposals of investments                           | (171.2)      | (142.6)      | –             | –           |
| Foreign currency translation                       | (9.6)        | (13.3)       | –             | –           |
| <b>Carrying amount at the end of the year</b>      | <b>864.3</b> | <b>434.8</b> | <b>–</b>      | <b>–</b>    |

Note 10 Other financial assets

|                                                                  | Consolidated |             | Parent Entity  |                |
|------------------------------------------------------------------|--------------|-------------|----------------|----------------|
|                                                                  | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M    | 2006<br>\$M    |
| Investments in controlled entities, at fair value                | –            | –           | 2,229.1        | 2,331.4        |
| Investments in listed securities, at fair value                  | 12.0         | –           | –              | –              |
| Investments in unlisted securities, at fair value <sup>(1)</sup> | 97.5         | –           | 405.2          | –              |
|                                                                  | <b>109.5</b> | <b>–</b>    | <b>2,634.3</b> | <b>2,331.4</b> |

(1) Investments in unlisted securities include units in Arlington Business Park Partnership (ABPP) with a carrying value of \$91.0 million (2006: \$nil). As detailed in note 23 below, an additional \$245.2 million was invested in ABPP in July and August 2007 bringing the Consolidated Entity's equity interest to 19%. The fair value of investments in unlisted securities is determined by reference to the net asset value per security advised to investors.

| Significant Controlled Companies                                                 | Country of<br>incorporation   | Interest held |           |
|----------------------------------------------------------------------------------|-------------------------------|---------------|-----------|
|                                                                                  |                               | 2007<br>%     | 2006<br>% |
| MG Finance Singapore Pte Limited                                                 | Singapore                     | 100           | –         |
| MGI HK Finance                                                                   | Cayman Islands                | 100           | 100       |
| MGD Asia                                                                         | Cayman Islands                | 100           | 100       |
| MG China Investments                                                             | Cayman Islands                | 100           | –         |
| Macquarie Goodman (Shanghai) Warehouse Co. Ltd.                                  | People's Republic<br>of China | 100           | –         |
| Jia Meng (Shanghai) Warehouse Co. Ltd.                                           | People's Republic<br>of China | 100           | –         |
| MG Property Holdings (Jersey) Limited                                            | Jersey                        | 100           | –         |
| Goodman Northampton (Jersey) Limited (formerly MG Northampton (Jersey) Limited)  | Jersey                        | 100           | –         |
| GUKBPF Investment (Jersey) Limited (formerly ABPP Investment (Jersey) Limited)   | Jersey                        | 100           | –         |
| Goodman Holdings (Jersey) Limited (formerly Arlington Holdings (Jersey) Limited) | Jersey                        | 100           | –         |
| Goodman Leicester (Jersey) Limited (formerly MG Leicester (Jersey) Limited)      | Jersey                        | 100           | –         |
| Goodman Daventry (Jersey) Limited                                                | Jersey                        | 100           | –         |
| Goodman Brackmills (Jersey) Limited (formerly MG (Brackmills) Limited)           | Jersey                        | 100           | –         |
| Goodman Gloucester (Jersey) Limited (formerly MG (Gloucester) Limited)           | Jersey                        | 100           | –         |
| Goodman Maltby (Jersey) Limited (formerly MG (Maltby) Limited)                   | Jersey                        | 100           | –         |
| Goodman South Normanton (Jersey) Limited (formerly MG (South Normanton) Limited) | Jersey                        | 100           | –         |
| Goodman West Thurrock (Jersey) Limited (formerly MG (West Thurrock) Limited)     | Jersey                        | 100           | –         |
| Goodman Burton (Jersey) Limited (formerly MG Burton (Jersey) Limited)            | Jersey                        | 100           | –         |
| Goodman Citadel (Jersey) Limited (formerly MG Citadel (Jersey) Limited)          | Jersey                        | 100           | –         |
| Goodman Corby (Jersey) Limited (formerly MG Corby (Jersey) Limited)              | Jersey                        | 100           | –         |
| Goodman Coventry (Jersey) Limited (formerly MG Coventry (Jersey) Limited)        | Jersey                        | 100           | –         |

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 10 Other financial assets (continued)

| Significant Controlled Companies                                                                | Country of incorporation | Interest held |        |
|-------------------------------------------------------------------------------------------------|--------------------------|---------------|--------|
|                                                                                                 |                          | 2007 %        | 2006 % |
| Goodman Desborough (Jersey) Limited (formerly MG Desborough (Jersey) Limited)                   | Jersey                   | 100           | –      |
| Goodman Ellesmere Port (Jersey) Limited (formerly MG Ellesmere Port Limited)                    | Jersey                   | 100           | –      |
| Goodman Finance (Jersey) Limited (formerly MG Finance (Jersey) Limited)                         | Jersey                   | 100           | –      |
| Goodman Logistics (Jersey) Limited (formerly MG Logistics (Jersey) Limited)                     | Jersey                   | 100           | –      |
| Goodman Oceanview Logistics (Jersey) Limited (formerly MG Oceanview Logistics (Jersey) Limited) | Jersey                   | 100           | –      |
| Goodman Residential (Jersey) Limited (formerly MG Regent Residential (Jersey) Limited)          | Jersey                   | 100           | –      |
| Goodman Thurrock (Jersey) Limited (formerly Rosemound (Jersey) Limited)                         | Jersey                   | 100           | –      |
| Goodman APP 4,5, & CdV (Lux) Sàrl (formerly Akeler APP 4,5, & CdV Sàrl)                         | Luxembourg               | 100           | –      |
| Goodman Finance (Lux) Sàrl (formerly MG Finance Luxembourg Sàrl)                                | Luxembourg               | 100           | –      |
| Goodman Property Opportunities (Lux) Sàrl, SICAR (formerly MG Property Opportunities Sàrl)      | Luxembourg               | 100           | –      |
| Significant Controlled Unit Trusts                                                              | Country of establishment |               |        |
| Goodman Match Trust (formerly Ascendas (Australia) Trust)                                       | Australia                | 100           | 100    |
| Binary No. 2 Trust                                                                              | Australia                | 100           | 100    |
| Carter Street Trust                                                                             | Australia                | 100           | 100    |
| CDC Trust                                                                                       | Australia                | 100           | 100    |
| Clayton 3 Trust                                                                                 | Australia                | 100           | 100    |
| Euston Road Subtrust                                                                            | Australia                | 100           | 100    |
| Highbrook Trust                                                                                 | Australia                | 100           | 100    |
| Hill Road Trust                                                                                 | Australia                | 100           | 100    |
| Homebush Subtrust                                                                               | Australia                | 100           | 100    |
| IBC Trust                                                                                       | Australia                | 100           | 100    |
| Goodman Industrial Trust (formerly Macquarie Goodman Industrial Trust)                          | Australia                | 100           | 100    |
| MIP Trust (formerly Macquarie Industrial Trust)                                                 | Australia                | 100           | 100    |
| Mascot Trust                                                                                    | Australia                | 100           | 100    |
| Goodman Arlington Warehousing Trust (formerly MG Arlington Warehousing Trust)                   | Australia                | 100           | 100    |
| Goodman Europe Development Trust (formerly MG Europe Development Trust)                         | Australia                | 100           | 100    |
| Goodman Hong Kong Investment Trust (formerly MG Hong Kong Investment Trust)                     | Australia                | 100           | 100    |

| Significant Controlled Unit Trusts                                        | Country of establishment | Interest held |        |
|---------------------------------------------------------------------------|--------------------------|---------------|--------|
|                                                                           |                          | 2007 %        | 2006 % |
| MGA Industrial Portfolio Trust                                            | Australia                | 100           | 100    |
| Orion Road Trust                                                          | Australia                | 100           | 100    |
| Penrose Trust                                                             | Australia                | 100           | 100    |
| Perth Leasing Trust                                                       | Australia                | 100           | 100    |
| Port Melbourne 3 Trust                                                    | Australia                | 100           | 100    |
| Regal Business Park Trust                                                 | Australia                | 100           | 100    |
| St. Leonards Trust                                                        | Australia                | 100           | 100    |
| Thomas Trust                                                              | Australia                | 100           | 100    |
| West Melbourne Trust                                                      | Australia                | 100           | 100    |
| Saunders Street Trust                                                     | Australia                | 100           | 100    |
| Waterloo Road Office Trust                                                | Australia                | 100           | 100    |
| Goodman Capital Trust (formerly Macquarie Goodman Capital Trust)          | Australia                | 100           | 100    |
| Cambridge Office Park Trust                                               | Australia                | 100           | 100    |
| BDE Unit Trust                                                            | Australia                | 100           | 100    |
| Biloela Street Unit Trust                                                 | Australia                | 100           | 100    |
| Goodman Huntingwood Trust (formerly MG Huntingwood Trust)                 | Australia                | 100           | –      |
| Goodman Jersey Holdings Trust (formerly MG Jersey Holdings Trust)         | Australia                | 100           | –      |
| Goodman Palmers Trust (formerly MG Palmers Trust)                         | Australia                | 100           | –      |
| Goodman Perth Airport No. 1 Trust (formerly MG Perth Airport No. 1 Trust) | Australia                | 100           | –      |
| Goodman Perth Airport No. 2 Trust (formerly MG Perth Airport No. 2 Trust) | Australia                | 100           | –      |
| Goodman Treasury Trust (formerly MG Treasury Trust)                       | Australia                | 100           | –      |
| ABPP Investment Trust                                                     | Australia                | 100           | –      |
| CC Trust                                                                  | Australia                | 100           | –      |
| Edinburgh Trust                                                           | Australia                | 100           | –      |
| Goodman Finance Australia Trust (formerly MG Finance Australia Trust)     | Australia                | 100           | –      |
| VZJ Trust                                                                 | Australia                | 100           | –      |

Notes to the Financial Statements

For the year ended 30 June 2007

Note 11 Payables

|                                               | Consolidated |             | Parent Entity  |             |
|-----------------------------------------------|--------------|-------------|----------------|-------------|
|                                               | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M    | 2006<br>\$M |
| <b>Current</b>                                |              |             |                |             |
| Trade creditors                               | 2.7          | 0.4         | 0.1            | –           |
| Rental in advance                             | 4.4          | 6.1         | –              | –           |
| Other creditors and accruals                  | 100.4        | 54.3        | 6.6            | 12.7        |
|                                               | <b>107.5</b> | <b>60.8</b> | <b>6.7</b>     | <b>12.7</b> |
| <b>Non-current</b>                            |              |             |                |             |
| Loans from controlled entities <sup>(1)</sup> | –            | –           | 1,278.5        | –           |
| Loans from related parties <sup>(1)</sup>     | 12.2         | –           | 12.0           | –           |
|                                               | <b>12.2</b>  | <b>–</b>    | <b>1,290.5</b> | <b>–</b>    |

(1) Details of loans from controlled entities and loans from related parties are set out in note 20.

Payables denominated in currencies other than Australian dollars are as follows:

| Amounts in A\$M | NZD  | HKD | SGD | GBP  | EUR  |
|-----------------|------|-----|-----|------|------|
| 2007            | 6.6  | 2.6 | 0.5 | 25.6 | 39.0 |
| 2006            | 23.9 | 1.3 | 0.2 | 0.5  | 2.0  |

Note 12 Interest bearing liabilities

|                                                              | Note  | Consolidated   |              | Parent Entity |              |
|--------------------------------------------------------------|-------|----------------|--------------|---------------|--------------|
|                                                              |       | 2007<br>\$M    | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M  |
| <b>Current</b>                                               |       |                |              |               |              |
| Bank loans – unsecured                                       | 12(a) | 1,595.0        | –            | –             | –            |
| Bank loans – secured                                         | 12(b) | –              | 8.0          | –             | –            |
| Other loans – Commercial Mortgage Backed Securities (“CMBS”) | 12(c) | 599.8          | 603.0        | 599.3         | 603.0        |
| RePS on issue                                                | 12(d) | –              | 33.8         | –             | –            |
|                                                              |       | <b>2,194.8</b> | <b>644.8</b> | <b>599.3</b>  | <b>603.0</b> |
| <b>Non-current</b>                                           |       |                |              |               |              |
| Bank loans – unsecured                                       | 12(a) | 1,379.9        | –            | –             | –            |
| Bank loans – secured                                         | 12(b) | 155.5          | 828.4        | –             | 805.2        |
|                                                              |       | <b>1,535.4</b> | <b>828.4</b> | <b>–</b>      | <b>805.2</b> |

(a) Bank loans – unsecured as at 30 June 2007

| Facility                                                   | Amounts drawn down in A\$M equivalents |              |              |             |             |                |              |              | Total          |
|------------------------------------------------------------|----------------------------------------|--------------|--------------|-------------|-------------|----------------|--------------|--------------|----------------|
|                                                            | AUD                                    | NZD          | HKD          | USD         | SGD         | GBP            | EUR          | YEN          |                |
| Syndicated Multi-currency Facility (“SMCF”) <sup>(1)</sup> | 409.5                                  | 380.3        | 142.3        | 49.8        | 68.8        | 170.6          | 36.8         | 146.2        | 1,404.3        |
| Bank loans <sup>(2)</sup>                                  | –                                      | –            | –            | –           | –           | 912.3          | 192.3        | –            | 1,104.6        |
| Bank loans <sup>(3)</sup>                                  | –                                      | –            | –            | –           | –           | 468.7          | 3.2          | –            | 471.9          |
|                                                            | <b>409.5</b>                           | <b>380.3</b> | <b>142.3</b> | <b>49.8</b> | <b>68.8</b> | <b>1,551.6</b> | <b>232.3</b> | <b>146.2</b> | <b>2,980.8</b> |
| Less: Unamortised borrowing costs                          |                                        |              |              |             |             |                |              |              | (5.9)          |
|                                                            |                                        |              |              |             |             |                |              |              | <b>2,974.9</b> |

(1) On 24 May 2007, the terms of the SMCF were amended and the facility became unsecured. The facility comprises five revolving tranches, a A\$100 million one year working capital tranche, a A\$460 million two year tranche, a A\$520 million three year tranche, a A\$520 million four year tranche and a A\$400 million five year tranche.

(2) Controlled entities have bank loans of A\$1,104.6 million (30 June 2006: A\$nil) which are denominated in pounds sterling (A\$912.3 million) and Euros (A\$192.3 million). The facilities expire on 9 April 2008. Any resulting foreign currency exposure is economically hedged by investments in Europe and United Kingdom assets purchased with the proceeds.

(3) Controlled entities have bank loans of A\$471.9 million (30 June 2006: A\$384.2 million) which are denominated in pounds sterling (A\$468.7 million) and Euros (A\$3.2 million). The facility expires on 31 December 2007. Any resulting foreign currency exposure is economically hedged by investments in Europe and the United Kingdom assets purchased with the proceeds.

There were no unsecured bank loans at 30 June 2006.

(b) Bank loans – secured

| Facility                        | Year ended<br>30 June | Amounts drawn down in A\$M equivalents |       |      |      |      |       |      |              |
|---------------------------------|-----------------------|----------------------------------------|-------|------|------|------|-------|------|--------------|
|                                 |                       | AUD                                    | NZD   | HKD  | USD  | SGD  | GBP   | EUR  | Total        |
| SMCF                            | 2007                  | –                                      | –     | –    | –    | –    | –     | –    | –            |
|                                 | 2006                  | 257.0                                  | 274.2 | 99.7 | 11.1 | 44.6 | 78.7  | 46.0 | 811.3        |
| Bank loan <sup>(1)</sup>        | 2007                  | –                                      | –     | –    | –    | –    | 155.5 | –    | 155.5        |
|                                 | 2006                  | –                                      | –     | –    | –    | –    | –     | 31.2 | 31.2         |
| <b>Less:</b>                    |                       |                                        |       |      |      |      |       |      |              |
| Unamortised borrowing costs     | 2007                  |                                        |       |      |      |      |       |      | –            |
|                                 | 2006                  |                                        |       |      |      |      |       |      | (6.1)        |
| <b>Total secured bank loans</b> | <b>2007</b>           |                                        |       |      |      |      |       |      | <b>155.5</b> |
|                                 | <b>2006</b>           |                                        |       |      |      |      |       |      | <b>836.4</b> |

(1) Controlled entities have bank loans of A\$155.5 million denominated in pounds sterling (2006: A\$nil). The facility expires on 20 September 2009. Controlled entities did not have any secured bank loans denominated in euros at 30 June 2007 (2006: A\$31.2 million). In relation to the facility at 30 June 2006, A\$8 million was due to expire by 30 June 2007, A\$17.1 million by 30 June 2008 and the remainder by 30 June 2009.

Security for all loans of the above was by way of first and second ranking charges over various assets of the Consolidated Entity.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 12 Interest bearing liabilities (continued)

#### (c) Other loans – CMBS

The CMBS notes on issue at 30 June 2006 matured on 7 November 2006. On maturity, these were refinanced by the issue of further unrated notes to the same value which expire on 7 May 2008. The terms of these notes were changed to an unsecured footing on 24 May 2007. The notes are denominated in pounds sterling (A\$329.4 million) and in euros (A\$171.6 million) and Australian dollars (A\$99.1 million). Any resulting foreign currency exposure is economically hedged by investments in Europe and the United Kingdom assets purchased with the proceeds.

#### (d) RePS

RePS were a class of securities that provided preferred distributions fixed for an initial period. The fixed return provides for a distribution rate of 7.5% per annum. At the discretion of the Consolidated Entity, all remaining RePS on 30 October 2006 were converted to Goodman securities at that date.

#### (e) Other loans – controlled entity

For details of the loan advanced by a controlled entity, refer to note 20.

#### (f) Finance facilities

|                        | Year ended<br>30 June | Consolidated                   |                               | Parent Entity Facilities       |                               |
|------------------------|-----------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|                        |                       | Facilities<br>available<br>\$M | Facilities<br>utilised<br>\$M | Facilities<br>available<br>\$M | Facilities<br>utilised<br>\$M |
| Bank loans – secured   | 2007                  | 155.5                          | 155.5                         | –                              | –                             |
|                        | 2006                  | 1,353.2                        | 842.5                         | 1,322.0                        | 811.3                         |
| Bank loans – unsecured | 2007                  | 3,676.7                        | 2,980.8                       | –                              | –                             |
|                        | 2006                  | –                              | –                             | –                              | –                             |
| Other loans – CMBS     | 2007                  | 600.2                          | 600.2                         | –                              | 600.2                         |
|                        | 2006                  | 603.0                          | 603.0                         | 603.0                          | 603.0                         |
| RePS                   | 2007                  | –                              | –                             | –                              | –                             |
|                        | 2006                  | 33.8                           | 33.8                          | –                              | –                             |
|                        | 2007                  | 4,432.4                        | 3,736.5                       | –                              | 600.2                         |
|                        | 2006                  | 1,990.0                        | 1,479.3                       | 1,925.0                        | 1,414.3                       |

### Note 13 Issued capital

|                                                               | Consolidated   |                | Parent Entity  |                |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                               | 2007<br>\$M    | 2006<br>\$M    | 2007<br>\$M    | 2006<br>\$M    |
| 1,692,736,692 (2006: 1,608,822,481) fully paid units on issue | 4,277.6        | 3,795.4        | 4,277.6        | 3,795.4        |
| Issue costs <sup>(1)</sup>                                    | (66.6)         | (66.4)         | (66.6)         | (66.4)         |
| <b>Total issued capital</b>                                   | <b>4,211.0</b> | <b>3,729.0</b> | <b>4,211.0</b> | <b>3,729.0</b> |

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

#### Terms and conditions

Stapled security means one unit in GIT stapled to one share in Goodman International Limited (“GMG”). Holders of Goodman stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per security at shareholders’ and Unitholders’ meetings. In the event of a winding up of Goodman, shareholders and Unitholders rank after creditors and are fully entitled to any proceeds of liquidation.

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

|                                                                                      | Consolidated         |                      | Consolidated   |                |
|--------------------------------------------------------------------------------------|----------------------|----------------------|----------------|----------------|
|                                                                                      | 2007<br>Units        | 2006<br>Units        | 2007<br>\$M    | 2006<br>\$M    |
| <b>Units on issue at 1 July 2005</b>                                                 |                      | <b>1,404,967,533</b> |                | <b>2,876.7</b> |
| – issued for institutional placement                                                 |                      | 63,079,094           |                | 314.0          |
| – issued to the vendors on acquisition of Eurinpro                                   |                      | 33,483,220           |                | 166.7          |
| – issued under the DRP <sup>(1)</sup>                                                |                      | 75,721,722           |                | 328.3          |
| – issued on conversion of RePS during the year                                       |                      | 23,516,555           |                | 72.1           |
| – issued to employees of GIL under the Employee Securities Acquisition Plan (“ESAP”) |                      | 7,021,025            |                | 35.9           |
| – issued due to exercise of executive options                                        |                      | 1,033,332            |                | 1.7            |
| <b>Units on issue at 30 June 2006</b>                                                | <b>1,608,822,481</b> | <b>1,608,822,481</b> | <b>3,795.4</b> | <b>3,795.4</b> |
| – issued under the DRP <sup>(1)</sup>                                                | 40,004,845           |                      | 259.1          |                |
| – issued for treasury securities issued under the ESAP                               | 16,435,500           |                      | 111.4          |                |
| – issued on conversion of RePS during the year                                       | 11,606,556           |                      | 33.4           |                |
| – issued to employees of GIL under the ESAP                                          | 9,725,620            |                      | 48.3           |                |
| – issued due to placement of securities                                              | 5,548,357            |                      | 28.0           |                |
| – issued due to exercise of executive options                                        | 593,333              |                      | 2.0            |                |
| <b>Units on issue at 30 June 2007</b>                                                | <b>1,692,736,692</b> |                      | <b>4,277.6</b> |                |

(1) Under the DRP, holders of ordinary units may elect to have all or part of their distribution entitlement satisfied by the issue of new ordinary units rather than being paid in cash. Units are issued under the DRP at a discount to the issue price, at the discretion of the Board of the Responsible Entity.

Notes to the Financial Statements

For the year ended 30 June 2007

Note 14 Reserves

|                                      | Note  | Consolidated |              | Parent Entity |              |
|--------------------------------------|-------|--------------|--------------|---------------|--------------|
|                                      |       | 2007<br>\$M  | 2006<br>\$M  | 2007<br>\$M   | 2006<br>\$M  |
| Cash flow hedge reserve              | 14(a) | 60.6         | 7.4          | –             | 7.4          |
| Asset revaluation reserve            | 14(b) | 134.0        | 72.6         | 256.9         | 127.2        |
| Capital profits reserve              | 14(c) | 57.5         | 29.0         | –             | –            |
| Foreign currency translation reserve | 14(d) | 0.4          | (1.6)        | –             | –            |
| RePS repurchase reserve              | 14(e) | –            | –            | –             | –            |
| <b>Total reserves</b>                |       | <b>252.5</b> | <b>107.4</b> | <b>256.9</b>  | <b>134.6</b> |

(a) Cash Flow Hedge Reserve

|                                                |             |               |            |               |
|------------------------------------------------|-------------|---------------|------------|---------------|
| Balance at the beginning of the year           | 7.4         | –             | 7.4        | –             |
| Change in accounting policy                    | –           | (22.7)        | –          | (22.7)        |
|                                                | <b>7.4</b>  | <b>(22.7)</b> | <b>7.4</b> | <b>(22.7)</b> |
| Change in value of financial instruments       | 43.5        | 30.1          | (7.4)      | 30.1          |
| Transfers to Income Statements                 | 1.0         | –             | –          | –             |
| Transfer from retained earnings <sup>(1)</sup> | 10.2        | –             | –          | –             |
| Impact of movements in foreign exchange rates  | (1.5)       | –             | –          | –             |
| <b>Balance at the end of the year</b>          | <b>60.6</b> | <b>7.4</b>    | <b>–</b>   | <b>7.4</b>    |

(1) Fair value movements in prior periods of certain cash flow hedges previously treated as ineffective have been transferred to the cash flow hedge reserve. Changes in the value of these instruments are now eligible for recognition in equity.

At 30 June 2006, this reserve was shown as two separate reserves, being the interest rate swap revaluation reserve and the hedging reserve.

(b) Asset Revaluation Reserve

|                                                 |              |             |              |              |
|-------------------------------------------------|--------------|-------------|--------------|--------------|
| Balance at the beginning of the year            | 72.6         | –           | 127.2        | 8.6          |
| Revaluation of controlled entities              | –            | –           | 123.3        | 118.6        |
| Decreases due to the revaluation of investments | (7.2)        | –           | –            | –            |
| Transfer to Capital Profits Reserve             | (33.8)       | –           | –            | –            |
| Transfer from retained earnings                 | 102.1        | 72.6        | 6.4          | –            |
| Impact of movements in foreign exchange rates   | 0.3          | –           | –            | –            |
| <b>Balance at the end of the year</b>           | <b>134.0</b> | <b>72.6</b> | <b>256.9</b> | <b>127.2</b> |

Refer to notes 1(e) and 1(p) for the accounting policies relating to this reserve.

|                                         | Consolidated |             | Parent Entity |             |
|-----------------------------------------|--------------|-------------|---------------|-------------|
|                                         | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| <b>(c) Capital Profits Reserve</b>      |              |             |               |             |
| Balance at the beginning of the year    | 29.0         | 1.5         | –             | –           |
| Transfer from asset revaluation reserve | 33.8         | –           | –             | –           |
| Transfer (to)/from retained earnings    | (5.3)        | 27.5        | –             | –           |
| <b>Balance at the end of the year</b>   | <b>57.5</b>  | <b>29.0</b> | <b>–</b>      | <b>–</b>    |

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

(d) Foreign Currency Translation Reserve

|                                                              |            |              |          |          |
|--------------------------------------------------------------|------------|--------------|----------|----------|
| Balance at the beginning of the year                         | (1.6)      | (0.1)        | –        | –        |
| Net exchange differences on conversion of foreign operations | 2.0        | (1.5)        | –        | –        |
| <b>Balance at the end of the year</b>                        | <b>0.4</b> | <b>(1.6)</b> | <b>–</b> | <b>–</b> |

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

(e) RePS Repurchase Reserve

|                                                                |          |          |          |          |
|----------------------------------------------------------------|----------|----------|----------|----------|
| Balance at the beginning of the year                           | –        | (20.8)   | –        | –        |
| Transfer to issued capital on conversion of RePS to securities | –        | 20.8     | –        | –        |
| <b>Balance at the end of the year</b>                          | <b>–</b> | <b>–</b> | <b>–</b> | <b>–</b> |

The RePS repurchase reserve arose on acquisition of RePS by the Consolidated Entity. The balance reversed on conversion of the RePS instruments to GMG stapled securites.

Note 15 Retained earnings

|                                            |             |              |             |              |
|--------------------------------------------|-------------|--------------|-------------|--------------|
| Balance at the beginning of the year       | 73.2        | 130.8        | 46.0        | 102.8        |
| Change in accounting policy                | –           | (0.9)        | –           | –            |
|                                            | <b>73.2</b> | <b>129.9</b> | <b>46.0</b> | <b>102.8</b> |
| Profit for the period                      | 626.1       | 453.0        | 574.4       | 352.8        |
| Distributions declared                     | (524.4)     | (409.6)      | (524.4)     | (409.6)      |
| Transfer to asset revaluation reserve      | (102.1)     | (72.6)       | (6.4)       | –            |
| Transfer from/(to) capital profits reserve | 5.3         | (27.5)       | –           | –            |
| Transfer from cash flow hedge reserve      | (10.2)      | –            | –           | –            |
| <b>Balance at the end of the year</b>      | <b>67.9</b> | <b>73.2</b>  | <b>89.6</b> | <b>46.0</b>  |

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 16 Segment reporting

The Consolidated Entity's business is investing, directly or indirectly, in industrial and commercial properties in Australia, New Zealand, Asia and Europe.

#### Primary segment reporting – geographical segments

|                                                                    | Asia Pacific   |                  | Europe         |               | Consolidated     |                  |
|--------------------------------------------------------------------|----------------|------------------|----------------|---------------|------------------|------------------|
|                                                                    | 2007<br>\$M    | 2006<br>\$M      | 2007<br>\$M    | 2006<br>\$M   | 2007<br>\$M      | 2006<br>\$M      |
| <b>Revenue and Other Income</b>                                    |                |                  |                |               |                  |                  |
| Gross property income                                              | 354.6          | 377.0            | 19.8           | 1.2           | 374.4            | 378.2            |
| Net gains from fair value adjustments on investment properties     | 66.3           | 125.8            | –              | –             | 66.3             | 125.8            |
| Net gain on disposal of investment properties                      | 52.9           | 35.7             | (0.6)          | 0.7           | 52.3             | 36.4             |
| Net gain on disposal of controlled entities                        | 7.8            | –                | 106.2          | –             | 114.0            | –                |
| Share of net results of associates and joint ventures              | 74.0           | 26.8             | 23.3           | –             | 97.3             | 26.8             |
| Net gain on disposal of equity investments                         | –              | 1.0              | 4.9            | –             | 4.9              | 1.0              |
| Distributions from investments                                     | –              | –                | 4.6            | –             | 4.6              | –                |
| <b>Total revenue and other income</b>                              | <b>555.6</b>   | <b>566.3</b>     | <b>158.2</b>   | <b>1.9</b>    | <b>713.8</b>     | <b>568.2</b>     |
| <b>Segment Result</b>                                              |                |                  |                |               |                  |                  |
| Profit before financing costs                                      | 473.6          | 491.9            | 156.3          | 1.9           | 629.9            | 493.8            |
| Net financing costs                                                |                |                  |                |               | (3.8)            | (40.8)           |
| <b>Profit attributable to Unitholders</b>                          |                |                  |                |               | <b>626.1</b>     | <b>453.0</b>     |
| <b>Segment Assets</b>                                              |                |                  |                |               |                  |                  |
| Investment properties                                              | 3,916.2        | 4,009.1          | 615.4          | –             | 4,531.6          | 4,009.1          |
| Investments accounted for using the equity method                  | 738.8          | 434.8            | 125.5          | –             | 864.3            | 434.8            |
| Other financial assets                                             | 12.0           | –                | 97.5           | –             | 109.5            | –                |
| Other assets                                                       | 658.9          | 566.8            | 2,233.2        | 520.3         | 2,892.1          | 1,087.1          |
| <b>Total segment assets</b>                                        | <b>5,325.9</b> | <b>5,010.7</b>   | <b>3,071.6</b> | <b>520.3</b>  | <b>8,397.5</b>   | <b>5,531.0</b>   |
| <b>Segment Liabilities</b>                                         |                |                  |                |               |                  |                  |
| Deferred income                                                    | (6.6)          | (7.7)            | –              | –             | (6.6)            | (7.7)            |
| Payables                                                           | (55.1)         | (58.3)           | (64.6)         | (2.5)         | (119.7)          | (60.8)           |
| Provisions                                                         | –              | –                | –              | –             | –                | –                |
| <b>Total segment liabilities</b>                                   | <b>(61.7)</b>  | <b>(66.0)</b>    | <b>(64.6)</b>  | <b>(2.5)</b>  | <b>(126.3)</b>   | <b>(68.5)</b>    |
| <b>Total segment assets less segment liabilities</b>               | <b>5,264.2</b> | <b>4,944.7</b>   | <b>3,007.0</b> | <b>517.8</b>  | <b>8,271.2</b>   | <b>5,462.5</b>   |
| <b>Non-segment Assets and Liabilities</b>                          |                |                  |                |               |                  |                  |
| Cash                                                               |                |                  |                |               | 41.5             | 14.1             |
| Derivative financial instruments                                   |                |                  |                |               | 66.3             | 16.8             |
| Interest bearing assets                                            |                |                  |                |               | 15.9             | –                |
| Interest bearing liabilities                                       |                |                  |                |               | (3,730.2)        | (1,473.2)        |
| Provision for distributions                                        |                |                  |                |               | (133.3)          | (110.6)          |
| <b>Total non-segment assets less total non-segment liabilities</b> |                |                  |                |               | <b>(3,739.8)</b> | <b>(1,552.9)</b> |
| <b>Net assets</b>                                                  |                |                  |                |               | <b>4,531.4</b>   | <b>3,909.6</b>   |
| <b>Capital expenditure</b>                                         | <b>(465.7)</b> | <b>(1,184.4)</b> | <b>(641.3)</b> | <b>(81.9)</b> | <b>(1,107.0)</b> | <b>(1,266.3)</b> |

### Note 17 Auditors’ remuneration

|                                                               | Consolidated  |                | Parent Entity |               |
|---------------------------------------------------------------|---------------|----------------|---------------|---------------|
|                                                               | 2007<br>\$000 | 2006<br>\$000  | 2007<br>\$000 | 2006<br>\$000 |
| <b>Audit Services</b>                                         |               |                |               |               |
| Auditors of GIT                                               |               |                |               |               |
| – Audit and review of financial reports (KPMG Australia)      | 414.0         | 340.8          | 414.0         | 193.8         |
| – Audit and review of financial reports (overseas KPMG firms) | 52.7          | 101.2          | –             | –             |
|                                                               | <b>466.7</b>  | <b>442.0</b>   | <b>414.0</b>  | <b>193.8</b>  |
| <b>Other Assurance Services</b>                               |               |                |               |               |
| – Investigative accounting services (KPMG Australia)          | –             | 129.0          | –             | 129.0         |
| – Investigative accounting services (overseas KPMG firms)     | 57.1          | 367.2          | –             | –             |
| <b>Other Services</b>                                         |               |                |               |               |
| – Other regulatory services (KPMG Australia)                  | 50.1          | 51.0           | 50.1          | 51.0          |
| – Other regulatory services (overseas KPMG firms)             | –             | 35.4           | –             | –             |
| – Taxation compliance services (KPMG Australia)               | 165.7         | 212.4          | 165.7         | 181.7         |
| – Taxation compliance services (overseas KPMG firms)          | –             | 92.1           | –             | –             |
| – Other taxation advice (KPMG Australia)                      | –             | 49.5           | –             | 49.5          |
| – Other taxation advice (overseas KPMG firms)                 | 7.9           | 43.8           | –             | –             |
|                                                               | <b>280.8</b>  | <b>980.4</b>   | <b>215.8</b>  | <b>411.2</b>  |
| <b>Total paid/payable to KPMG</b>                             | <b>747.5</b>  | <b>1,422.4</b> | <b>629.8</b>  | <b>605.0</b>  |
| <b>Other Auditors</b>                                         |               |                |               |               |
| – Audit and review of financial reports (non-KPMG firms)      | 2.4           | 1.6            | –             | –             |

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 18 Notes to the Cash Flow Statements

#### (a) Reconciliation of cash

For the purpose of the Cash Flow Statements, cash includes cash on hand and at bank and short-term deposits at call. Cash as at the end of the year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheets as follows:

|      | Consolidated |             | Parent Entity |             |
|------|--------------|-------------|---------------|-------------|
|      | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| Cash | 41.5         | 14.1        | 8.3           | 9.6         |

#### (b) Reconciliation of profit from ordinary activities to net cash provided by operating activities

|                                 |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|
| Profit from ordinary activities | 626.1 | 453.0 | 574.4 | 352.8 |
|---------------------------------|-------|-------|-------|-------|

#### Items Classified as Investing and Financing Activities

|                                                |        |        |       |       |
|------------------------------------------------|--------|--------|-------|-------|
| Net gain on disposal of investment properties  | (52.3) | (36.4) | –     | –     |
| Net gain on disposal of equity investments     | (4.9)  | (1.0)  | (7.3) | (5.0) |
| Distribution received from associated entities | 42.2   | 11.0   | –     | 4.6   |

#### Non-cash Items

|                                                               |        |         |   |   |
|---------------------------------------------------------------|--------|---------|---|---|
| Net gain from fair value adjustments on investment properties | (66.3) | (125.8) | – | – |
| Share of net results of associates and joint ventures         | (97.3) | (26.8)  | – | – |
| Movement in deferred leasing and tenancy costs                | (17.2) | (13.9)  | – | – |
| Capitalised finance costs                                     | (33.8) | (39.5)  | – | – |

|                                                                                   |       |       |       |       |
|-----------------------------------------------------------------------------------|-------|-------|-------|-------|
| Net cash provided by operating activities before change in assets and liabilities | 396.5 | 220.6 | 567.1 | 352.4 |
|-----------------------------------------------------------------------------------|-------|-------|-------|-------|

Change in assets and liabilities during the year:

|                                       |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|
| – (Increase)/decrease in receivables  | (20.4) | (34.1) | 15.0   | (16.8) |
| – (Increase)/decrease in other assets | (4.3)  | (25.5) | 1.5    | (2.3)  |
| – Increase/(decrease) in payables     | 2.9    | 127.0  | (65.7) | 4.0    |

|                                           |       |       |       |       |
|-------------------------------------------|-------|-------|-------|-------|
| Net cash provided by operating activities | 374.7 | 288.0 | 517.9 | 337.3 |
|-------------------------------------------|-------|-------|-------|-------|

#### (c) Non-cash financing and investing activities

During the year, 40.0 million units were allocated under GIT's DRP for \$259.1 million (2006: \$nil).

#### (d) Disposals of interests in controlled entities

|                                                                                           | Total<br>\$M |
|-------------------------------------------------------------------------------------------|--------------|
| Proceeds received on launch of the Goodman European Logistics Fund ("GELF")               | 121.1        |
| Proceeds received on disposal of second tranche of SPVs into GELF ("GELF second tranche") | 40.1         |
| Proceeds received on disposal of the Lighthouse Office SPVs ("Lighthouse")                | 78.6         |
| Proceeds received on disposal of the MGA Direct Property Trust ("DPT")                    | 39.3         |
| Net cash inflow                                                                           | 279.1        |

#### Launch of the GELF

On 20 December 2006, Goodman sold 100% of the issued capital of Arlington Investments (Luxembourg) SARL (formerly Macquarie Goodman Investments (Luxembourg) SARL) to GELF. The principal effect of the disposal was a decrease in the investment properties of the Consolidated Entity of \$274.6 million and a decrease in interest bearing liabilities of \$255.6 million.

Up to the date of the disposal of the equity, Arlington Investments (Luxembourg) SARL had contributed \$3.3 million to the Consolidated Entity's revenue and profit after tax for the year.

As a result of the Consolidated Entity's shareholding in GELF, it is included as a related party.

#### GELF second tranche

In May and June 2007, a controlled entity disposed of the entire issued capital of seven entities which held development properties located in Europe. The principal effect of the disposals was a decrease in investment properties of \$33.9 million.

#### Disposal of Lighthouse

On 20 March 2007, a controlled entity disposed of the entire issued capital of three entities which held completed properties located in the United Kingdom. The principal effect of the disposals was a decrease in investment properties and interest bearing liabilities of \$199.4 million and \$133.7 million respectively.

#### Disposal of DPT

On 3 April 2007, a controlled entity disposed of the entire issued capital of an entity which held two completed properties located in Australia. The principal effect of the disposals was a decrease in investment properties and payables of \$42.3 million and \$11.0 million respectively.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 19 Acquisitions of controlled entities

The Consolidated Entity acquired a group of entities (collectively “Lighthouse”) which owned a portfolio of eight fully leased properties located in the United Kingdom and Akeler Holdings (“Akeler”) on 20 September 2006 and 14 November 2006 respectively.

The effect of the acquisitions on the Consolidated Entity’s assets and liabilities was as follows:

|                                                                | Lighthouse<br>\$M | Akeler<br>\$M | Total<br>\$M |
|----------------------------------------------------------------|-------------------|---------------|--------------|
| Cash                                                           | 14.6              | –             | 14.6         |
| Investment properties                                          | 445.9             | 79.2          | 525.1        |
| Payables                                                       | (6.7)             | (6.9)         | (13.6)       |
| Interest bearing liabilities                                   | (242.9)           | (26.3)        | (269.2)      |
| <b>Net identifiable assets and liabilities</b>                 | <b>210.9</b>      | <b>46.0</b>   | <b>256.9</b> |
| Add: Intangible assets on acquisition                          | –                 | –             | –            |
| <b>Total consideration payable</b>                             | <b>210.9</b>      | <b>46.0</b>   | <b>256.9</b> |
| Less: Amounts unpaid at 30 June 2007                           | (4.5)             | –             | (4.5)        |
| <b>Gross cash outflow</b>                                      | <b>206.4</b>      | <b>46.0</b>   | <b>252.4</b> |
| Cash held by controlled entities on acquisition                | (14.6)            | –             | (14.6)       |
| <b>Net cash outflow (excluding prior year acquisitions)</b>    | <b>191.8</b>      | <b>46.0</b>   | <b>237.8</b> |
| Deferred settlements on prior year acquisitions <sup>(1)</sup> |                   |               | 9.8          |
| <b>Net cash outflow</b>                                        |                   |               | <b>247.6</b> |

(1) Amounts paid relate to the deferred settlements on Highbrook Development Limited which was acquired prior to 30 June 2006.

The net identifiable assets and liabilities shown above have been stated at book value prior to fair value adjustments. There were no fair value adjustments on acquisition.

Details of the entities acquired are set out below:

| Entities<br>acquired | Principal activity                 | Date of<br>acquisition | Actual contribution since<br>acquisition |                                    | Contribution if acquisition<br>took place on 1 July 2006 |                                    |
|----------------------|------------------------------------|------------------------|------------------------------------------|------------------------------------|----------------------------------------------------------|------------------------------------|
|                      |                                    |                        | Revenue<br>\$M                           | (Loss)/profit<br>before tax<br>\$M | Revenue<br>\$M                                           | (Loss)/profit<br>before tax<br>\$M |
| Akeler               | Property investment and management | 14 November 2006       | –                                        | (0.9)                              | –                                                        | (1.6)                              |
| Lighthouse           | Property investment                | 20 September 2006      | 15.9                                     | 3.7                                | 21.3                                                     | 4.9                                |

### Year ended 30 June 2006

The Consolidated Entity acquired several companies from Eurinpro International SA (“Eurinpro”) on 1 June 2006. The Consolidated Entity also acquired all of the issued share capital of Growth Link Limited, a Hong Kong company.

The effect of the acquisitions on the Consolidated Entity’s assets and liabilities is as follows:

|                                                 | Eurinpro<br>\$M | Growth Link<br>\$M | Total<br>\$M |
|-------------------------------------------------|-----------------|--------------------|--------------|
| Cash                                            | 1.2             | 1.1                | 2.3          |
| Receivables                                     | 3.8             | 0.2                | 4.0          |
| Inventories                                     | 41.9            | –                  | 41.9         |
| Investment properties                           | –               | 76.5               | 76.5         |
| Payables                                        | (2.0)           | (1.2)              | (3.2)        |
| Interest bearing liabilities                    | (32.3)          | (12.9)             | (45.2)       |
| Deferred tax liabilities                        | –               | (0.3)              | (0.3)        |
| <b>Net identifiable assets and liabilities</b>  | <b>12.6</b>     | <b>63.4</b>        | <b>76.0</b>  |
| Less: Minority interests                        | –               | (2.6)              | (2.6)        |
| Add: Intangible assets on acquisition           | –               | –                  | –            |
| <b>Total consideration payable</b>              | <b>12.6</b>     | <b>60.8</b>        | <b>73.4</b>  |
| Cash held by controlled entities on acquisition | (1.2)           | (1.1)              | (2.3)        |
| <b>Net cash outflow</b>                         | <b>11.4</b>     | <b>59.7</b>        | <b>71.1</b>  |

Details of the entities acquired are set out below:

| Entities<br>acquired       | Principal<br>activity | Date of acquisition | Actual contribution since<br>acquisition |                             | Contribution if acquisition<br>took place on 1 July 2005 |                             |
|----------------------------|-----------------------|---------------------|------------------------------------------|-----------------------------|----------------------------------------------------------|-----------------------------|
|                            |                       |                     | Revenue<br>\$M                           | Profit<br>before tax<br>\$M | Revenue<br>\$M                                           | Profit<br>before tax<br>\$M |
| Eurinpro <sup>(1)</sup>    | Property development  | 1 June 2006         | 1.2                                      | 2.3                         | –                                                        | –                           |
| Growth Link <sup>(2)</sup> | Property investment   | 30 August 2005      | 0.8                                      | 0.2                         | 1.2                                                      | 0.4                         |

(1) It is not practicable to estimate the contribution to GIT’s profit if the acquisition had taken place on 1 July 2005.

(2) Growth Link Limited forms part of the Macquarie Goodman Hong Kong Logistics Fund.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 20 Related party disclosures

#### Key management personnel disclosures

GFM, the Responsible Entity of GIT, was identified as key management of the Consolidated Entity at any time during the reporting year and unless otherwise indicated was key management for the entire year.

GIT does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity (“GFM”) to manage the activities for GIT and this is considered to be the Key Management Personnel (“KMP”).

#### Responsible Entity’s remuneration

In accordance with GIT’s constitution, the Responsible Entity is entitled to receive a management fee and expense reimbursements where expenses have been incurred on behalf of GIT:

|                                                                    | Consolidated      |                   | Parent Entity |            |
|--------------------------------------------------------------------|-------------------|-------------------|---------------|------------|
|                                                                    | 2007<br>\$        | 2006<br>\$        | 2007<br>\$    | 2006<br>\$ |
| Management fees                                                    | 1,361,596         | 900,120           | 1,335,631     | 345,175    |
| <b>GMG Group</b>                                                   |                   |                   |               |            |
| Property services fees (including property management and leasing) | 14,075,756        | 14,152,669        | –             | –          |
| Development management and project fees                            | 19,030,311        | 12,785,925        | –             | –          |
| Building supervisor costs reimbursed                               | 2,657,451         | 3,363,862         | –             | –          |
| Due diligence                                                      | 9,013,000         | 2,041,545         | –             | –          |
|                                                                    | <b>44,776,518</b> | <b>32,344,001</b> | <b>–</b>      | <b>–</b>   |

#### Other related party disclosures

##### Goodman Holdings Group

The Consolidated Entity has entered into a sublease to April 2048 with Moorabbin Airport Corporation Pty Limited (a director related entity of Messrs Gregory Goodman and Patrick Goodman) for the lease of land at Chifley Business Park, Mentone, Vic. During the year ended 30 June 2007, an amount of \$1,075,884 (2006: \$921,532) was paid in connection with the sublease.

##### Poole’s Rock Wines Pty Ltd

Poole’s Rock Wines Pty Ltd (a director related entity of Mr David Clarke) has entered into a lease to January 2009 with the Consolidated Entity at CityWest Office Park, Pyrmont, NSW. Rent and outgoings charges amounted to \$95,743 for the year ended 30 June 2007 (2006: \$90,376).

#### Transactions with controlled entities

The wholly owned group consists of GIT and its wholly owned controlled entities as set out in note 10.

Transactions between GIT and other entities in the wholly owned group during the years ended 30 June 2007 and 2005 consisted of:

- payment of distributions to GIT;
- loans advanced by GIT;
- loans repaid to GIT; and
- interest on loans advanced/provided.

All of the above transactions were made on normal commercial terms and conditions.

Aggregate amounts included in the determination of profit from ordinary activities that resulted from transactions with entities in the wholly owned group are disclosed in note 4.

Aggregate amounts receivable from, and payable to, entities in the wholly owned group at balance date are disclosed in notes 6, 11 and 13 respectively.

#### Other related parties

- (a) Goodman Vineyards Pty Limited (“Vineyards”) (formerly Macquarie Goodman Vineyards Pty Limited) is a fellow controlled entity of GMG. The balance of the loan provided by GIT to Vineyards at 30 June 2007 is \$50.2 million (2006: \$35.4 million). The purpose of the loan to Vineyards is to fund the development of the M7 Business Hub, Eastern Creek, NSW. The loan is limited recourse, interest bearing at a rate of 15% per annum and with a maturity date of December 2011. Interest charged to Vineyards during the year totalled \$6.4 million (2006: \$3.5 million).
- (b) Other loans to GMG exist at 30 June 2007 totalling \$2,260.0 million (2006: \$708.3 million). The loans are interest bearing at rates determined based on the tranche under which the funds are borrowed.
- (c) Other loans from GMG exist at 30 June 2007 totalling \$11.7 million (2006: \$nil). The loans are interest bearing at rates determined based on the tranche under which the funds are borrowed.
- (d) Amounts due to GAIF of 30 June 2007 total \$0.5 million (2006: amount due of \$7.2 million).
- (e) During the comparative year, Dollhurst Limited, a fellow controlled entity of GMG, issued \$169.5 million (GBP 65.0 million) of Fixed Rate Notes (“Notes”) to GIT. The Notes are unsecured with limited recourse and mature in December 2011. Interest at 8.5% per annum is payable on the Notes semi-annually in arrears on 30 June and 31 December.

|               | Sales of investment properties |             | Cost recharges |             | Other       |             |
|---------------|--------------------------------|-------------|----------------|-------------|-------------|-------------|
|               | 2007<br>\$M                    | 2006<br>\$M | 2007<br>\$M    | 2006<br>\$M | 2007<br>\$M | 2006<br>\$M |
| GMT           | 10.0                           | 3.1         | –              | –           | –           | –           |
| GAIF          | 333.8                          | 289.5       | –              | –           | 39.5        | –           |
| MGLF-HK       | –                              | –           | –              | –           | –           | –           |
| GELF          | –                              | –           | –              | –           | –           | –           |
| Balanced Fund | –                              | –           | –              | –           | –           | –           |
| BMGW          | –                              | –           | –              | –           | –           | –           |
| Regent        | –                              | –           | –              | –           | –           | –           |

Amounts from associates and joint ventures at 30 June 2007 are as follows:

|      | Due from sale of investment properties |             | Due for fixed price contracts |             | Due for cost recharges |             | Due for other services provided |             | Loans provided |             |
|------|----------------------------------------|-------------|-------------------------------|-------------|------------------------|-------------|---------------------------------|-------------|----------------|-------------|
|      | 2007<br>\$M                            | 2006<br>\$M | 2007<br>\$M                   | 2006<br>\$M | 2007<br>\$M            | 2006<br>\$M | 2007<br>\$M                     | 2006<br>\$M | 2007<br>\$M    | 2006<br>\$M |
| GMT  | –                                      | –           | 0.2                           | –           | –                      | –           | (0.3)                           | –           | –              | –           |
| GAIF | 7.8                                    | –           | –                             | –           | –                      | –           | –                               | –           | (0.5)          | 7.2         |
| GELF | –                                      | –           | –                             | –           | –                      | –           | –                               | –           | 27.8           | –           |
| BMGW | –                                      | –           | –                             | –           | –                      | –           | –                               | –           | 32.9           | 1.9         |

Loans provided to associates are provided at arm’s length interest rates and are repayable on demand. All other amounts due are receivable within 30 days.

Notes to the Financial Statements

For the year ended 30 June 2007

Note 21 Additional financial instruments disclosure

(a) Interest rate risk

The Consolidated Entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. The interest rate swap contracts are for 90 day intervals and involve quarterly payments or receipts of the net amount of interest. At 30 June 2007 details of the contracts are as follows:

|                                  | Interest rate swaps                             |         |                   |       | Fixed rate debt         |      |                                  |      |
|----------------------------------|-------------------------------------------------|---------|-------------------|-------|-------------------------|------|----------------------------------|------|
|                                  | Notional principal <sup>(1)</sup><br>Currency M |         | Average rate<br>% |       | Principal<br>Currency M |      | Average rate <sup>(2)</sup><br>% |      |
|                                  | 2007                                            | 2006    | 2007              | 2006  | 2007                    | 2006 | 2007                             | 2006 |
| <b>Euros Payable</b>             |                                                 |         |                   |       |                         |      |                                  |      |
| 30 June 2006                     | –                                               | (342.5) | –                 | 3.82% | –                       | –    | –                                | –    |
| 30 June 2007                     | (390.0)                                         | (276.5) | 3.76%             | 3.69% | –                       | –    | –                                | –    |
| 30 June 2008                     | (390.0)                                         | (240.0) | 3.76%             | 3.69% | –                       | –    | –                                | –    |
| 30 June 2009                     | (382.9)                                         | (232.9) | 3.78%             | 3.71% | –                       | –    | –                                | –    |
| 30 June 2010                     | (320.0)                                         | (170.0) | 4.02%             | 4.12% | –                       | –    | –                                | –    |
| 30 June 2011                     | (315.9)                                         | (165.9) | 4.03%             | 4.12% | –                       | –    | –                                | –    |
| 30 June 2012                     | (270.0)                                         | (120.0) | 4.06%             | 4.23% | –                       | –    | –                                | –    |
| <b>Pounds Sterling Payable</b>   |                                                 |         |                   |       |                         |      |                                  |      |
| 30 June 2006                     | –                                               | (181.1) | –                 | 4.69% | –                       | –    | –                                | –    |
| 30 June 2007                     | (283.4)                                         | (180.1) | 4.72%             | 4.69% | –                       | –    | –                                | –    |
| 30 June 2008                     | (283.4)                                         | (180.0) | 4.72%             | 4.69% | –                       | –    | –                                | –    |
| 30 June 2009                     | (233.2)                                         | (180.0) | 4.76%             | 4.69% | –                       | –    | –                                | –    |
| 30 June 2010                     | (230.0)                                         | (180.0) | 4.76%             | 4.69% | –                       | –    | –                                | –    |
| 30 June 2011                     | (203.0)                                         | (153.0) | 4.78%             | 4.69% | –                       | –    | –                                | –    |
| 30 June 2012                     | (115.0)                                         | (65.0)  | 4.82%             | 4.65% | –                       | –    | –                                | –    |
| <b>Hong Kong Dollars Payable</b> |                                                 |         |                   |       |                         |      |                                  |      |
| 30 June 2006                     | –                                               | (300.0) | –                 | 4.98% | –                       | –    | –                                | –    |
| 30 June 2007                     | (800.0)                                         | (300.0) | 4.61%             | 4.98% | –                       | –    | –                                | –    |
| 30 June 2008                     | (800.0)                                         | (300.0) | 4.61%             | 4.98% | –                       | –    | –                                | –    |
| 30 June 2009                     | (800.0)                                         | (300.0) | 4.65%             | 4.98% | –                       | –    | –                                | –    |
| 30 June 2010                     | (730.4)                                         | (300.0) | 4.58%             | 4.98% | –                       | –    | –                                | –    |
| 30 June 2011                     | (386.8)                                         | (91.2)  | 4.51%             | 4.98% | –                       | –    | –                                | –    |
| 30 June 2012                     | (145.5)                                         | –       | 4.55%             | –     | –                       | –    | –                                | –    |

|                                    | Interest rate swaps                             |         |                   |       | Fixed rate debt         |         |                                  |       |
|------------------------------------|-------------------------------------------------|---------|-------------------|-------|-------------------------|---------|----------------------------------|-------|
|                                    | Notional principal <sup>(1)</sup><br>Currency M |         | Average rate<br>% |       | Principal<br>Currency M |         | Average rate <sup>(2)</sup><br>% |       |
|                                    | 2007                                            | 2006    | 2007              | 2006  | 2007                    | 2006    | 2007                             | 2006  |
| <b>New Zealand Dollars Payable</b> |                                                 |         |                   |       |                         |         |                                  |       |
| 30 June 2006                       | –                                               | (140.0) | –                 | 6.70% | –                       | –       | –                                | –     |
| 30 June 2007                       | (200.0)                                         | (140.0) | 6.85%             | 6.90% | –                       | –       | –                                | –     |
| 30 June 2008                       | (200.0)                                         | (140.0) | 6.85%             | 6.90% | –                       | –       | –                                | –     |
| 30 June 2009                       | (193.3)                                         | (133.3) | 6.73%             | 6.73% | –                       | –       | –                                | –     |
| 30 June 2010                       | (190.0)                                         | (130.0) | 6.67%             | 6.64% | –                       | –       | –                                | –     |
| 30 June 2011                       | (135.9)                                         | (75.9)  | 6.61%             | 6.52% | –                       | –       | –                                | –     |
| 30 June 2012                       | (110.0)                                         | (50.0)  | 6.56%             | 6.36% | –                       | –       | –                                | –     |
| <b>Singapore Dollars Payable</b>   |                                                 |         |                   |       |                         |         |                                  |       |
| 30 June 2006                       | –                                               | (167.9) | –                 | 3.58% | –                       | –       | –                                | –     |
| 30 June 2007                       | (135.0)                                         | (149.6) | 3.58%             | 2.98% | –                       | –       | –                                | –     |
| 30 June 2008                       | (135.0)                                         | (96.8)  | 3.58%             | 3.59% | –                       | –       | –                                | –     |
| 30 June 2009                       | (135.0)                                         | (85.0)  | 3.58%             | 3.82% | –                       | –       | –                                | –     |
| 30 June 2010                       | (135.0)                                         | (85.0)  | 3.58%             | 3.82% | –                       | –       | –                                | –     |
| 30 June 2011                       | (125.1)                                         | (75.1)  | 3.57%             | 3.83% | –                       | –       | –                                | –     |
| 30 June 2012                       | (79.1)                                          | (40.0)  | 3.54%             | 3.90% | –                       | –       | –                                | –     |
| <b>Japanese Yen Payable</b>        |                                                 |         |                   |       |                         |         |                                  |       |
| 30 June 2007                       | (9,533.3)                                       | –       | 1.57%             | –     | –                       | –       | –                                | –     |
| 30 June 2008                       | (13,000.0)                                      | –       | 1.57%             | –     | –                       | –       | –                                | –     |
| 30 June 2009                       | (13,000.0)                                      | –       | 1.57%             | –     | –                       | –       | –                                | –     |
| 30 June 2010                       | (13,000.0)                                      | –       | 1.57%             | –     | –                       | –       | –                                | –     |
| 30 June 2011                       | (13,000.0)                                      | –       | 1.57%             | –     | –                       | –       | –                                | –     |
| 30 June 2012                       | (12,459.0)                                      | –       | 1.58%             | –     | –                       | –       | –                                | –     |
| <b>Australian Dollars Payable</b>  |                                                 |         |                   |       |                         |         |                                  |       |
| 30 June 2006                       | –                                               | (441.0) | –                 | 5.99% | –                       | (221.0) | –                                | 5.25% |
| 30 June 2007                       | –                                               | (538.4) | –                 | 5.84% | –                       | –       | –                                | –     |
| 30 June 2008                       | –                                               | (470.0) | –                 | 5.95% | –                       | –       | –                                | –     |
| 30 June 2009                       | –                                               | (431.0) | –                 | 5.98% | –                       | –       | –                                | –     |
| 30 June 2010                       | –                                               | (315.0) | –                 | 6.08% | –                       | –       | –                                | –     |
| 30 June 2011                       | –                                               | (298.8) | –                 | 6.06% | –                       | –       | –                                | –     |
| 30 June 2012                       | –                                               | (283.3) | –                 | 6.04% | –                       | –       | –                                | –     |

(1) Notional principal amount as at 30 June 2006 and 30 June 2007 represents the actual amounts included in swaps open at the year end. For each succeeding year, the amount is the weighted average of principal balances included in hedge instruments over the course of the year.

(2) Average rate represents the average margin above the relevant overnight rate by region weighted by quantum of the principal.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 21 Additional financial instruments disclosure (continued)

#### (b) Foreign exchange risk

The Consolidated Entity is exposed to foreign exchange risk through its investments in New Zealand, Asia and Europe. Foreign exchange risk represents the loss that would be recognised from fluctuations in foreign currency prices against the Australian dollar.

GIT has entered into foreign exchange contracts to hedge a proportion of the income received from its foreign investments. The contracts settle at quarterly and semi-annual intervals from July 2007 to December 2012. The net fair value receivable on forward foreign exchange contracts at 30 June 2007 was \$2.9 million (2006: payable of \$2.6 million).

| Contracts to Buy A\$ and Sell | Weighted average exchange rate |        | Amounts receivable A\$M |       | Amounts payable Currency M |         |
|-------------------------------|--------------------------------|--------|-------------------------|-------|----------------------------|---------|
|                               | 2007                           | 2006   | 2007                    | 2006  | 2007                       | 2006    |
| <b>Euros</b>                  |                                |        |                         |       |                            |         |
| 30 June 2006                  | –                              | 0.5793 | –                       | 239.8 | –                          | (138.9) |
| 30 June 2007                  | –                              | 0.5793 | –                       | 239.8 | –                          | (138.9) |
| <b>Pounds Sterling</b>        |                                |        |                         |       |                            |         |
| 30 June 2006                  | –                              | –      | –                       | –     | –                          | –       |
| 30 June 2007                  | 0.415                          | 0.415  | 24.1                    | 24.1  | (10.0)                     | (10.0)  |
| 30 June 2008                  | 0.415                          | 0.415  | 24.1                    | 24.1  | (10.0)                     | (10.0)  |
| 30 June 2009                  | 0.415                          | 0.415  | 24.1                    | 24.1  | (10.0)                     | (10.0)  |
| 30 June 2010                  | 0.415                          | 0.415  | 24.1                    | 24.1  | (10.0)                     | (10.0)  |
| 30 June 2011                  | 0.415                          | 0.415  | 12.0                    | 12.0  | (5.0)                      | (5.0)   |
| <b>Hong Kong Dollars</b>      |                                |        |                         |       |                            |         |
| 30 June 2007                  | 5.62                           | 5.62   | 1.1                     | 1.1   | (6.0)                      | (6.0)   |
| 30 June 2008                  | 5.62                           | 5.62   | 1.1                     | 1.1   | (6.0)                      | (6.0)   |
| 30 June 2009                  | 5.62                           | 5.62   | 1.1                     | 1.1   | (6.0)                      | (6.0)   |
| <b>New Zealand Dollars</b>    |                                |        |                         |       |                            |         |
| 30 June 2007                  | 1.0915                         | 1.0915 | 1.0                     | 1.0   | (1.1)                      | (1.1)   |
| 30 June 2008                  | 1.0915                         | 1.0915 | 1.0                     | 1.0   | (1.1)                      | (1.1)   |
| 30 June 2009                  | 1.1571                         | 1.1571 | 0.5                     | 0.5   | (0.6)                      | (0.6)   |
| 30 June 2010                  | 1.1571                         | 1.1571 | 0.5                     | 0.5   | (0.6)                      | (0.6)   |
| 30 June 2011                  | 1.1571                         | 1.1571 | 0.3                     | 0.3   | (0.3)                      | (0.3)   |
| 30 June 2012                  | 1.1571                         | 1.1571 | 0.3                     | 0.3   | (0.3)                      | (0.3)   |

Additionally, the Consolidated Entity uses cross currency swaps as follows:

| Contracts to Receive A\$ and Pay | Weighted average exchange rate |        | Amounts receivable A\$M |       | Amounts payable Currency M |         |
|----------------------------------|--------------------------------|--------|-------------------------|-------|----------------------------|---------|
|                                  | 2007                           | 2006   | 2007                    | 2006  | 2007                       | 2006    |
| <b>Euros</b>                     |                                |        |                         |       |                            |         |
| 30 June 2007                     | 0.6090                         | –      | 492.6                   | –     | (300.0)                    |         |
| 30 June 2008                     | 0.6090                         | –      | 492.6                   | –     | (300.0)                    | –       |
| 30 June 2009                     | 0.6090                         | –      | 492.6                   | –     | (300.0)                    | –       |
| <b>Pounds Sterling</b>           |                                |        |                         |       |                            |         |
| 30 June 2006                     | –                              | 0.4012 | –                       | 351.7 | –                          | (141.0) |
| 30 June 2007                     | –                              | 0.4012 | –                       | 351.7 | –                          | (141.0) |

#### (c) Credit risk exposures

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

The credit risk on financial assets, excluding investments, of the Consolidated Entity, which have been recognised on the Balance Sheet, is the carrying amount, net of any allowance for doubtful debts.

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

The Consolidated Entity minimises credit risk by dealing with major financial institutions in relation to cash and short term borrowings.

Concentration of credit risk exists from time to time on trade debtors for the proceeds of disposal of investment properties. The credit risk is minimised as legal title is paid only upon receipt of proceeds for the sale of those assets.

#### (d) Net fair values of financial assets and liabilities

##### Recognised Financial Instruments

With the exception of the Group's listed investments accounted for under the equity method (refer to note 10), the Consolidated Entity's financial assets and liabilities included in the Balance Sheet are carried at amounts that approximate net fair value. The valuation approach equates to the historical costs of the underlying transactions. Net fair values of assets and liabilities are reviewed by the Directors on a regular basis.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### Note 22 Commitments

|                                                  | Consolidated |             | Parent Entity |             |
|--------------------------------------------------|--------------|-------------|---------------|-------------|
|                                                  | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| <b>Capital Expenditure Commitments</b>           |              |             |               |             |
| Contracted but not provided for and payable:     |              |             |               |             |
| – Within one year                                | 175.9        | –           | –             | –           |
| – One year or later and no later than five years | 25.8         | 102.6       | –             | –           |
|                                                  | 201.7        | 102.6       | –             | –           |

### Acquisition of Investment Properties

The amount contracted for the acquisition of investment properties not provided for is \$180.2 million (2006: \$7.0 million).

### Guaranteed Land Payments – M7 Business Hub Development

A commitment exists at 30 June 2007 in respect of a Heads of Agreement signed between GIT, GMG, Vineyards, Brickworks Limited and Austral. Austral has a put option which gives it the right to require Vineyards to take a transfer of unsold saleable lots of land. The consideration payable over the duration of the development will be the greater of:

- (a) the guaranteed land payments of unsold saleable lots; or
- (b) the revised retail price of the unsold saleable lots less a 2.5% discount if the revised retail price is less than \$10 million or a 5% discount if it is greater than \$10 million.

GIT has provided Austral with a guarantee for all amounts payable to Austral by Vineyards under the Heads of Agreement.

### Guaranteed Land Payments – Chifley Business Park

Chifley Business Park, Mentone, Vic is subject to a sublease to April 2048, with a 49-year option to renew. Under the terms of the sublease, rent is 10% of the freehold value of the land, calculated on each fifth anniversary of the sublease. In between these market reviews, rent is reviewed annually subject to consumer price index changes. Rent was subject to abatements of between 50% and 100% until 30 June 2007.

### Non-cancellable Operating Lease Receivable from Investment Property Tenants

|                                                                | Consolidated |             | Parent Entity |             |
|----------------------------------------------------------------|--------------|-------------|---------------|-------------|
|                                                                | 2007<br>\$M  | 2006<br>\$M | 2007<br>\$M   | 2006<br>\$M |
| <b>Non-cancellable Operating Lease Commitments Receivable:</b> |              |             |               |             |
| Within one year                                                | 199.1        | 254.8       | –             | –           |
| Later than one year but not later than five years              | 591.6        | 661.7       | –             | –           |
| Later than five years                                          | 328.3        | 111.7       | –             | –           |
|                                                                | 1,119.0      | 1,028.2     | –             | –           |

### Note 23 Events subsequent to balance date

On 2 July 2007, Goodman changed its name to Goodman International Limited. The names of certain controlled entities and managed funds have been amended. Refer to note 10 to the financial statements for details of these changes.

Subsequent to 30 June 2007 and up to the date of this report, the Consolidated Entity:

- contracted to sell properties with carrying value of \$449.0 million to Goodman Australia Industrial Fund (“GAIF”);
- invested a further \$270.7 million into ING Industrial Fund; and
- invested a further \$245.2 million in ABPP and \$73.6 million in GAIF.

Other than disclosed above, the Directors are not aware of any significant post-balance sheet events which would require disclosure or adjustment.

# Directors’ Declaration

In the opinion of the Directors of Goodman Funds Management Limited, the Responsible Entity for Goodman Industrial Trust (“GIT”) and its controlled entities (“Consolidated Entity”):

- (a) the financial statements and accompanying notes 1 to 23 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Parent Entity and the Consolidated Entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that GIT will be able to pay its debts as and when they become due and payable; and
- (c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2007 pursuant to section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

**David S. Clarke, AO**  
Chairman

Sydney, 16 August 2007

**Gregory Goodman**  
Director

# Independent Auditor’s Report to the Unitholders of Goodman Industrial Trust



## Report on the financial report

We have audited the accompanying financial report of Goodman Industrial Trust (“the Trust”), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 23 and the Directors’ Declaration of the Group comprising the Trust and the entities it controlled at the year’s end or from time to time during the financial year.

### Directors’ responsibility for the financial report

The directors of the Trust and the directors of the Responsible Entity of the Trust (“Goodman Funds Management Limited”), (collectively referred to as “the directors”) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor’s responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Trust’s and the Group’s financial position and of their performance.

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

### Auditor’s opinion on the financial report

In our opinion:

- (a) the financial report of Goodman Industrial Trust is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Trust’s and the Group’s financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

  
KPMG

  
John Teer  
Partner  
Sydney, 16 August 2007

This Annual Report for the year ended 30 June 2007 has been prepared by Goodman Industrial Trust (ARSN 091 213 839) and its controlled entities. The details in this Annual Report provide general information only. It is not intended as investment or financial advice and must not be relied upon as such. You should obtain independent professional advice prior to making any decision relating to your financial needs. This Annual Report is not an offer or invitation for subscription or purchase of securities or other financial products. Past performance is no indication of future performance. All values are expressed in Australian currency unless otherwise stated. September 2007

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